

**CIE Automotive, S.A.**

Auditor's report,  
Annual accounts at 31 December 2022  
Management report



*This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

## Independent auditor's report on the annual accounts

To the shareholders of CIE Automotive, S.A.:

### Report on the annual accounts

---

#### Opinion

We have audited the annual accounts of CIE Automotive, S.A. (the Company), which comprise the balance sheet as at December 31, 2022, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2022, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

---

#### Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

---

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p data-bbox="313 478 813 533"><b>Recovery of investments in group companies and associates</b></p> <p data-bbox="313 564 849 793">Investments in group companies and associates account for a significant percentage of the Company's net assets (notes 6 and 7 to the accompanying annual accounts). Equity instruments and long-term and short-term loans granted to Group companies at the year-end amount to € 1,090,467, €1,209,983 y €24,676 thousand, respectively.</p> <p data-bbox="313 825 813 993">As indicated in note 3.5 to the accompanying annual accounts, Management assesses annually whether there are indications of impairment and determines the recoverable amount of the investments recognised on the balance sheet.</p> <p data-bbox="313 1024 854 1396">Determining the recoverable value of these investments is mainly based on estimates of the value of future cash flows. The estimation of future cash flows requires significant judgement and estimations by management, including, among others, expectations regarding sales and future margins, growth rate projections, estimates of discount rates in order to calculate the current value of cash flows (WACC - Weighted average cost of capital), etc. The most important assumptions used by the Company in its analysis are summarised in note 7 to the accompanying annual accounts.</p> <p data-bbox="313 1428 850 1564">Deviations in these rates and estimates trigger significant variations in the calculations performed and therefore in the analysis of the recovery of investments in group and associates companies.</p> | <p data-bbox="891 564 1435 764">First, we gained an understanding of the process used by the Company to assess the valuation of investments and analyse their recovery and the impairment tests performed by management, and verified that the criteria used to perform these tests are consistent with those established in applicable reporting regulations.</p> <p data-bbox="891 795 1445 1167">For estimated cash flows, we verified not only the calculations made but we also compared the projected annual cash flows of those group companies, based on the plans and budgets approved by Group Management, against those actually obtained, and we analysed the key assumptions used to determine the growth rates and forecast future margins, verifying them using available comparables and analysing, if appropriate, their reasonableness using available third-party contracts or agreements. The discount rates applied (WACC) were assessed with the collaboration of our firm's expert team.</p> <p data-bbox="891 1199 1448 1398">As a result of our analyses and tests performed, we consider that management's conclusion concerning the absence of impairment of investments, the estimates made and the information disclosed in the accompanying annual accounts are adequately supported and are consistent with the information currently available.</p> |

---

### **Other information: Management Report**

---

Other information comprises only the management report for the 2022 financial year, the formulation of which is the responsibility of the Company's directors, and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

- a) Verify only that the certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

---

### **Responsibility of the directors and the audit committee for the annual accounts**

---

The Company's directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of CIE Automotive, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company's directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

---

### **Auditor's responsibilities for the audit of the annual accounts**

---

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.



As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company's audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **Report on other legal and regulatory requirements**

---

### **European single electronic format**

---

We have examined the digital file of the European single electronic format (ESEF) of CIE Automotive, S.A. for the 2022 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of CIE Automotive, S.A. are responsible for presenting the annual financial report for 2022 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been included by reference in the management report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

---

### **Report to the audit committee**

---

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated February 24, 2023.

---

### **Appointment period**

---

The General Ordinary Shareholders' Meeting held on April 28, 2022 appointed PricewaterhouseCoopers Auditores, S.L. as auditors for a period of 1 year for the year ended December 31, 2021.

Previously, we were appointed by resolution of the General Shareholders' Meeting for an initial period of three years and we have been auditing the accounts uninterruptedly since the year ended December 31, 2002.

---

### **Services provided**

---

Services provided to the Company and its subsidiaries for services other than the audit of the accounts are detailed in note 27 to the annual accounts.

In relation to the non-audit services, which have been provided to the subsidiaries of the Company, refer to the audit report of February 24, 202, on the consolidated annual accounts of CIE Automotive, S.A. and subsidiaries in which they are integrated.

---

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Jon Toledano Irigoyen (20518)

February 24, 2023



**CIE** Automotive



***MANAGING HIGH VALUE  
ADDED PROCESSES***

**Annual Accounts and Management  
Report  
for the year ended 2022**

---

**This 2022 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.**

| <b>Note</b>        | <b>INDEX</b>                                                           | <b>Page</b> |
|--------------------|------------------------------------------------------------------------|-------------|
|                    | <b>BALANCE SHEET</b>                                                   | 1-2         |
|                    | <b>INCOME STATEMENT</b>                                                | 3           |
|                    | <b>STATEMENT OF CHANGES IN EQUITY</b>                                  | 4           |
|                    | <b>CASH FLOW STATEMENT</b>                                             | 5           |
|                    | <b>NOTES TO THE ANNUAL ACCOUNTS</b>                                    |             |
| <b>1</b>           | <b>Activity of CIE Automotive, S.A.</b>                                | 6-8         |
| <b>2</b>           | <b>Basis of presentation</b>                                           | 9-10        |
| <b>3</b>           | <b>Accounting policies</b>                                             | 11-23       |
| <b>4</b>           | <b>Financial risk management</b>                                       | 23-33       |
| <b>5</b>           | <b>Intangible assets</b>                                               | 34          |
| <b>6</b>           | <b>Analysis of financial instruments</b>                               | 35-36       |
| <b>7</b>           | <b>Investments in and credits to Group companies</b>                   | 37-40       |
| <b>8</b>           | <b>Trade and other receivables</b>                                     | 40-41       |
| <b>9</b>           | <b>Derivative financial instruments</b>                                | 41-42       |
| <b>10</b>          | <b>Cash and cash equivalents</b>                                       | 42          |
| <b>11</b>          | <b>Share capital and share premium</b>                                 | 42-43       |
| <b>12</b>          | <b>Reserves and retained earnings</b>                                  | 43          |
| <b>13</b>          | <b>Profit/(loss) for year</b>                                          | 44          |
| <b>14</b>          | <b>Financial liabilities at amortised cost</b>                         | 45-48       |
| <b>15</b>          | <b>Provisions</b>                                                      | 49          |
| <b>16</b>          | <b>Deferred taxes</b>                                                  | 49-51       |
| <b>17</b>          | <b>Income and expense</b>                                              | 51-53       |
| <b>18</b>          | <b>Income tax and tax matters</b>                                      | 53-54       |
| <b>19</b>          | <b>Finance income/expense</b>                                          | 54          |
| <b>20</b>          | <b>Cash flows from operating activities</b>                            | 55          |
| <b>21</b>          | <b>Cash flows from investing activities</b>                            | 55          |
| <b>22</b>          | <b>Cash flows from financing activities</b>                            | 55          |
| <b>23</b>          | <b>Contingencies</b>                                                   | 56          |
| <b>24</b>          | <b>Director and key management compensation</b>                        | 56-57       |
| <b>25</b>          | <b>Transactions with Group companies and related parties</b>           | 57          |
| <b>26</b>          | <b>Information on the environment</b>                                  | 58          |
| <b>27</b>          | <b>Auditor fees</b>                                                    | 58          |
| <b>28</b>          | <b>Events after the balance sheet date</b>                             | 58          |
| <b>Appendix I</b>  | <b>List of subsidiaries and associates</b>                             | 59-62       |
| <b>Appendix II</b> | <b>Consolidated 2022 and 2021 balance sheets and income statements</b> | 63-65       |

**BALANCE SHEET AT 31<sup>ST</sup> DECEMBER 2022**  
**(Thousand euro)**

|                                                           |      | At December 31 <sup>st</sup> |           |
|-----------------------------------------------------------|------|------------------------------|-----------|
|                                                           | Note | 2022                         | 2021      |
| <b>NON-CURRENT ASSETS</b>                                 |      |                              |           |
| Intangible assets                                         | 5    | 11,543                       | 14,481    |
| Property, plant and equipment                             |      | 964                          | 1,176     |
| Non-current investments in group companies and associates | 6-7  | 2,300,450                    | 2,328,557 |
| Equity instruments                                        |      | 1,090,467                    | 1,090,467 |
| Credits to companies                                      |      | 1,209,983                    | 1,238,090 |
| Non-current financial investments                         | 6    | 19,894                       | 11,155    |
| Equity instruments                                        |      | 81                           | 81        |
| Credits to third parties                                  |      | 19,788                       | 6,500     |
| Derivatives                                               | 9    | -                            | 4,541     |
| Other financial assets                                    |      | 25                           | 33        |
| Deferred tax assets                                       | 16   | 18,813                       | 16,751    |
| Total non-current assets                                  |      | 2,350,964                    | 2,372,120 |
| <b>CURRENT ASSETS</b>                                     |      |                              |           |
| Trade and other receivables                               | 6-8  | 22,473                       | 18,612    |
| Receivables from Group companies and associates           |      | 22,309                       | 17,610    |
| Other receivables                                         |      | 42                           | 12        |
| Current tax assets                                        |      | 122                          | 990       |
| Current investments in group companies and associates     | 6-7  | 24,676                       | 17,974    |
| Credits to companies                                      |      | 24,676                       | 17,974    |
| Current financial investments                             | 6    | 19,458                       | 38,679    |
| Credits to third parties                                  |      | 1,300                        | 21,867    |
| Derivatives                                               | 9    | 1,347                        | -         |
| Other financial assets                                    |      | 16,811                       | 16,812    |
| Prepaid expenses                                          |      | 66                           | 57        |
| Cash and cash equivalents                                 | 6-10 | 31,202                       | 30,959    |
| Total current assets                                      |      | 97,875                       | 106,281   |
| TOTAL ASSETS                                              |      | 2,448,839                    | 2,478,401 |

**BALANCE SHEET AT 31<sup>ST</sup> DECEMBER 2022**  
**(Thousand euro)**

|                                                    |               | <b>At December 31<sup>st</sup></b> |                  |
|----------------------------------------------------|---------------|------------------------------------|------------------|
|                                                    | <b>Note</b>   | <b>2022</b>                        | <b>2021</b>      |
| <b>EQUITY</b>                                      |               |                                    |                  |
| <b>Capital and reserves</b>                        |               | <b>308,801</b>                     | <b>354,520</b>   |
| Share capital                                      | 11            | 30,637                             | 30,637           |
| Share premium                                      | 11            | 152,171                            | 152,171          |
| (Treasury shares)                                  | 11            | (60,326)                           | (401)            |
| Reserves                                           | 12            | 128,469                            | 126,297          |
| Profit / (loss) for the year                       | 13            | 106,899                            | 89,929           |
| Interim dividend                                   | 13            | (49,049)                           | (44,113)         |
| <b>Valuation adjustments</b>                       | <b>9</b>      | <b>1,024</b>                       | <b>-</b>         |
| Hedging transactions                               |               | 1,024                              | -                |
| <b>Total equity</b>                                |               | <b>309,825</b>                     | <b>354,520</b>   |
| <b>NON-CURRENT LIABILITIES</b>                     |               |                                    |                  |
| <b>Non-current provisions</b>                      | <b>15</b>     | <b>18,695</b>                      | <b>22,409</b>    |
| <b>Long-term payables</b>                          | <b>6-9-14</b> | <b>1,476,520</b>                   | <b>1,394,633</b> |
| Bank borrowings                                    | 6-14          | 1,470,648                          | 1,394,633        |
| Derivatives                                        | 6-9           | 5,872                              | -                |
| <b>Group companies and associates, non-current</b> | <b>6-14</b>   | <b>175,075</b>                     | <b>153,107</b>   |
| <b>Deferred tax liabilities</b>                    | <b>16</b>     | <b>323</b>                         | <b>-</b>         |
| <b>Other non-current payables</b>                  | <b>6-14</b>   | <b>50,025</b>                      | <b>49,994</b>    |
| Other non-current payables                         |               | 50,025                             | 49,994           |
| <b>Total non-current liabilities</b>               |               | <b>1,720,638</b>                   | <b>1,620,143</b> |
| <b>CURRENT LIABILITIES</b>                         |               |                                    |                  |
| <b>Current provisions</b>                          |               | <b>2,153</b>                       | <b>1,263</b>     |
| Short-term employee benefits                       | 15            | 2,153                              | 1,263            |
| <b>Current borrowings</b>                          |               | <b>327,638</b>                     | <b>431,017</b>   |
| Bank borrowings                                    | 6-14          | 130,738                            | 70,267           |
| Commercial paper program                           | 6-14          | 196,900                            | 360,750          |
| <b>Group companies and associates, current</b>     | <b>6-14</b>   | <b>7,846</b>                       | <b>8,659</b>     |
| <b>Trade and other payables</b>                    | <b>6-14</b>   | <b>80,739</b>                      | <b>62,799</b>    |
| Trade payables                                     |               | 8,745                              | 7,755            |
| Payables to group companies and associates         |               | 6,563                              | -                |
| Other payables                                     |               | 49,049                             | 44,113           |
| Fixed asset suppliers                              |               | 306                                | 534              |
| Accrued wages and salaries                         |               | 12,095                             | 6,979            |
| Current tax liabilities                            |               | 5,886                              | 3,418            |
| <b>Total current liabilities</b>                   |               | <b>418,376</b>                     | <b>503,738</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                |               | <b>2,448,839</b>                   | <b>2,478,401</b> |

**INCOME STATEMENT FOR THE YEAR 2022**  
**(Thousand euro)**

|                                               |             | <b>As of 31<sup>st</sup> December</b> |                 |
|-----------------------------------------------|-------------|---------------------------------------|-----------------|
| <b>CONTINUING OPERATIONS</b>                  | <b>Note</b> | <b>2022</b>                           | <b>2021</b>     |
| <b>Revenue</b>                                | <b>17</b>   | <b>196,720</b>                        | <b>151,291</b>  |
| Services rendered and other income            |             | 196,720                               | 151,291         |
| <b>Other operating income</b>                 | <b>17</b>   | <b>485</b>                            | <b>485</b>      |
| Non-trading and other operating income        |             | 485                                   | 485             |
| <b>Employee benefit expense</b>               | <b>17</b>   | <b>(26,977)</b>                       | <b>(26,005)</b> |
| Wages and salaries                            |             | (26,051)                              | (25,101)        |
| Social security                               |             | (926)                                 | (904)           |
| <b>Other operating expenses</b>               | <b>17</b>   | <b>(8,155)</b>                        | <b>(8,881)</b>  |
| External services                             |             | (8,093)                               | (8,820)         |
| Taxes                                         |             | (62)                                  | (61)            |
| <b>Depreciation and amortization</b>          |             | <b>(3,834)</b>                        | <b>(3,700)</b>  |
| <b>OPERATING PROFIT</b>                       |             | <b>158,239</b>                        | <b>113,190</b>  |
| Finance income                                | 19          | 1,266                                 | 1,038           |
| Finance expense                               | 19          | (34,801)                              | (28,278)        |
| Change in fair value of financial instruments | 19          | (12,638)                              | 70              |
| Net exchange differences                      | 19          | (6)                                   | (108)           |
| <b>FINANCIAL RESULTS</b>                      |             | <b>(46,179)</b>                       | <b>(27,278)</b> |
| <b>PROFIT BEFORE TAX</b>                      |             | <b>112,060</b>                        | <b>85,912</b>   |
| Income tax                                    | 18          | (5,161)                               | 4,017           |
| <b>PROFIT FOR THE YEAR</b>                    |             | <b>106,899</b>                        | <b>89,929</b>   |



**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022**
**A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE**  
**(Thousand euro)**

|                                                                         | Note      | 2022           | 2021          |
|-------------------------------------------------------------------------|-----------|----------------|---------------|
| <b>Profit for the year</b>                                              | <b>13</b> | <b>106,899</b> | <b>89,929</b> |
| <b>Income and expense recognised directly in equity</b>                 |           |                |               |
| Cash flow hedges                                                        | 9         | 1,347          | 597           |
| Tax effect                                                              | 16        | (323)          | (143)         |
| <b>Adjustments for changes in value reclassified to profit and loss</b> |           |                |               |
| Cash flow hedges                                                        | 9         | -              | 10,944        |
| Tax effect                                                              | 16        | -              | (2,627)       |
|                                                                         |           | <b>1,024</b>   | <b>8,771</b>  |
| <b>TOTAL RECOGNISED INCOME AND EXPENSE</b>                              |           | <b>107,923</b> | <b>98,700</b> |

**B) TOTAL STATEMENT OF CHANGES IN EQUITY**  
**(Thousand euro)**

|                                            | Share capital<br>(Note 11) | (Treasury shares)<br>(Note 11) | Share premium<br>(Note 11) | Reserves<br>(Note 12) | Profit for the year<br>(Note 13) | Interim dividend<br>(Note 13) | Valuation adjustments<br>(Note 9) | Total          |
|--------------------------------------------|----------------------------|--------------------------------|----------------------------|-----------------------|----------------------------------|-------------------------------|-----------------------------------|----------------|
| <b>Beginning balance, 2021</b>             | <b>30,637</b>              | <b>-</b>                       | <b>152,171</b>             | <b>113,173</b>        | <b>73,907</b>                    | <b>(30,638)</b>               | <b>(8,771)</b>                    | <b>330,479</b> |
| <b>Total recognised income and expense</b> | <b>-</b>                   | <b>-</b>                       | <b>-</b>                   | <b>-</b>              | <b>89,929</b>                    | <b>-</b>                      | <b>8,771</b>                      | <b>98,700</b>  |
| Transactions with shareholders and owners: |                            |                                |                            |                       |                                  |                               |                                   |                |
| Distribution of profit                     | -                          | -                              | -                          | 12,645                | (73,907)                         | 30,638                        | -                                 | (30,624)       |
| Interim dividend (Note 13)                 | -                          | -                              | -                          | -                     | -                                | (44,113)                      | -                                 | (44,113)       |
| Acquisition of treasury shares (Note 11)   | -                          | (50,563)                       | -                          | -                     | -                                | -                             | -                                 | (50,563)       |
| Reduction of share capital (Note 11)       | -                          | 50,162                         | -                          | 479                   | -                                | -                             | -                                 | 50,641         |
| <b>Closing balance, 2021</b>               | <b>30,637</b>              | <b>(401)</b>                   | <b>152,171</b>             | <b>126,297</b>        | <b>89,929</b>                    | <b>(44,113)</b>               | <b>-</b>                          | <b>354,520</b> |
| <b>Total recognised income and expense</b> | <b>-</b>                   | <b>-</b>                       | <b>-</b>                   | <b>-</b>              | <b>106,899</b>                   | <b>-</b>                      | <b>1,024</b>                      | <b>107,923</b> |
| Transactions with shareholders and owners: |                            |                                |                            |                       |                                  |                               |                                   |                |
| Distribution of profit                     | -                          | -                              | -                          | 2,722                 | (89,929)                         | 44,113                        | -                                 | (43,094)       |
| Interim dividend (Note 13)                 | -                          | -                              | -                          | -                     | -                                | (49,049)                      | -                                 | (49,049)       |
| Acquisition of treasury shares (Note 11)   | -                          | (71,391)                       | -                          | -                     | -                                | -                             | -                                 | (71,391)       |
| Sale of treasury shares (Note 11)          | -                          | 11,466                         | -                          | (550)                 | -                                | -                             | -                                 | 10,916         |
| <b>Closing balance, 2022</b>               | <b>30,637</b>              | <b>(60,326)</b>                | <b>152,171</b>             | <b>128,469</b>        | <b>106,899</b>                   | <b>(49,049)</b>               | <b>1,024</b>                      | <b>309,825</b> |

**CASH FLOW STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022**  
**(Thousand euro)**

|                                                        | Note | As of 31 <sup>st</sup> December |                 |
|--------------------------------------------------------|------|---------------------------------|-----------------|
|                                                        |      | 2022                            | 2021            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>            | 20   |                                 |                 |
| Profit for the year before tax                         |      | 112,060                         | 85,912          |
| Adjustments                                            |      | (59,590)                        | (50,810)        |
| Changes in working capital                             |      | 8,612                           | 815             |
| Other cash flows from operating activities             |      | 73,390                          | 53,230          |
| <b>Cash flows from/(used in) operating activities</b>  |      | <b>134,472</b>                  | <b>89,147</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            | 21   |                                 |                 |
| Payments for investments                               |      | (684)                           | (16,455)        |
| Proceeds from disposals                                |      | 4,952                           | 4,196           |
| <b>Cash flows from/ (used in) investing activities</b> |      | <b>4,268</b>                    | <b>(12,259)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            | 22   |                                 |                 |
| Proceeds from and payment of financial liabilities     |      | 9,185                           | (7,273)         |
| Dividends and payments on other equity instruments     |      | (147,682)                       | (61,184)        |
| <b>Cash flows from/(used in) financing activities</b>  |      | <b>(138,497)</b>                | <b>(68,457)</b> |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>       |      | <b>243</b>                      | <b>8,431</b>    |
| Cash and cash equivalents at beginning of period       |      | 30,959                          | 22,528          |
| Cash and cash equivalents at end of period             | 10   | 31,202                          | 30,959          |

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### 1. Activity of CIE Automotive, S.A.

#### CIE Automotive Group and activity

CIE Automotive, S.A., Parent Company of CIE Automotive Group, came into existence in 2002 as a result of the merger of two business groups, Egaña and Aforasa. Following the merger between Acerías y Forjas de Azcoitia, S.A. (transferee) and Egaña, S.A. (transferor), the former took CIE Automotive, S.A. as its registered name. Since then, CIE Automotive, S.A. has become a financially solid Group with global presence.

The shares of CIE Automotive, S.A. are traded on the continuous market of Madrid and Bilbao Stock Exchanges.

The business is carried out through an industrial group formed by several companies that are mainly engaged in the design, manufacture and sale of automotive components and sub-assemblies, on the global automotive market, using complementary technologies – aluminium, forging, metals and plastics – and several associated processes: machining, welding, painting and assembly, as well as roof system design and production.

Its main facilities are located in the following territories: Spain (Álava/Araba, Barcelona, Cádiz, Gipuzkoa, Orense, Pontevedra, Navarre and Bizkaia), Germany, France, Portugal, the Czech Republic, Romania, Italy, Morocco, Lithuania, Slovakia, North America (Mexico and the United States of America), South America (Brazil), India, the People's Republic of China and Russia.

The Company's registered office is located at "Alameda Mazarredo 69, 8º piso", Bilbao.

#### Group structure

At present, CIE Automotive, S.A. (publicly listed company) has a 100% direct stake in the following companies: CIE Berriz, S.L., Advanced Comfort Systems Ibérica, S.L.U., Advanced Comfort Systems France, S.A.S., Autokomp Ingeniería, S.A.U., CIE Automotive Boroa, S.L.U. and CIE Roof Systems, S.L.U. and CIE Automotive Roof Systems Korea, Ltd; mainly, holding companies to which the CIE Automotive Group's productive companies report to.

The list of subsidiaries and associates at 31<sup>st</sup> December 2022, together with the information concerning them, is disclosed in the Appendix I to these Annual Accounts.

These Annual Accounts were prepared by the Board of Directors on 24<sup>th</sup> February 2023.

#### Business evolution

After the 2020 financial year, 2021 continued to be marked by the Covid-19 pandemic, with successive outbreaks and tensions in the supply chain, which negatively affected economic activity with a strong impact on the automotive market, which reached a global production of 77.2 million vehicles in 2021.

The year 2022 has also been marked by challenges for the global economy in general, and the automotive industry in particular. While most of the countries where the Group operates were lifting health restrictions in the first half of the year, the Russian invasion of Ukraine has negatively affected an already weakened macroeconomic environment. In addition, production disruptions due to lack of semiconductors have been joined by the escalation of energy prices, and the scarcity and increase in the price of essential materials for the production of vehicles. Thus, the global production of vehicles was 82.0 million vehicles, 6.7% higher than in 2021.

In this market context, the Group has once again demonstrated its operational strength and flexibility, which have allowed it to reach levels higher than 2019, with record sales representing a growth of 16.4% compared to the previous year, at constant currency, standing above market growth by 9.7 percentage points. In addition, the Group has managed to exceed the operating margins that were diluted with the integrations of the 2019 financial year despite the general increase in production costs.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

As of 31<sup>st</sup> December 2022, the Group has a liquidity reserve amounting to €1,534.2 million, which will allow it to fulfil with the necessary payments for the continuity of its business during 2023. In the same way, after the modification of the contractual clauses of all structural financing contracts for the year 2021, the Group has complied with the "covenants" of all its structural financing.

At the date of formulation of these Annual Accounts, the Directors of CIE Automotive, S.A., with the available information, estimate that the continuity of the business is not at risk given the solvency and liquidity position of the Group.

### Investments in Russia

As of 31<sup>st</sup> December 2022 and 2021, the Company has an indirect investment via its subsidiary CIE Berriz, S.L. in the Russian company CIE Automotive RUS, LLC, dedicated to the production and sale of automotive components.

Due to the events of the conflict between Russia and Ukraine, and its impact on the Russian plant's activities, has resulted the Group registering value correction adjustments amounting to €17.6 million, which have been registered as of 31<sup>st</sup> December 2022 on the consolidated income statement of the Group. No valuation adjustment has been needed to be registered neither in the Company's Annual Accounts nor on the Annual Accounts of its subsidiary CIE Berriz, S.L.

### Changes in the scope of consolidation

#### 2022

During the year 2022, the Group has acquired 18,956,178 shares of its subsidiary Mahindra CIE Automotive, Ltd. for a total amount of €57,157 thousand, resulting in a decrease of the consolidated equity schedule by the amount paid. The Group's interest increased from 60.75% to 65.71% as of 31<sup>st</sup> December 2022.

On 15<sup>th</sup> March 2022, the Mexican subsidiary CIE Automotive de México, SAPI of C.V. carried out the acquisition of the 30% share it held indirectly in Ges Trading Nar, S.A. of C.V. (previously named Gescrap Autometal Mexico Servicios, S.A. de C.V.), and which until then depended directly on the associated company Gescrap Autometal de México, S.A. of C.V. This transaction had no impact on the Group's consolidated financial statements.

On 10<sup>th</sup> June 2022, together with other shareholders, an investment of €1,500 thousand was made in the company Basquevolt, S.A. by the Group, a project focused on the production of solid-state cells that aspires to be a leading battery producer in Europe, and over which the Group holds 16.67%.

On 13<sup>rd</sup> October 2022, the company Belgium Forge, NV was liquidated. The liquidation of the company had no significant impact on the Group's consolidated financial statements.

During the second half of the year, a corporate restructuring was carried out in the "Golde" roof system division, acquired to Inteva Products in 2019. The objective of this restructuring was to adapt the structure inherited from Inteva to the operational structure of CIE Group. The summary of the transactions, which had no impact on the consolidated financial statements, is as follows:

- On 4<sup>th</sup> August 2022, CIE Roof Systems, S.L.U. has acquired 100% and 99.99%, respectively, of the companies Golde Oradea, SRL (Romanian nationality) and Golde Bengaluru Pvt. Ltd. (Indian nationality) from its direct subsidiary Golde Netherlands, BV.
- On 23<sup>rd</sup> August, 2022, CIE Roof Systems, S.L.U. has acquired the interest held by Golde Netherlands, BV in Roof Systems Germany, GmbH until reaching 100% of its share.
- On 31<sup>st</sup> August 2022, CIE Roof Systems, S.L.U. has also acquired practically the entire share held by Golde Lozorno spol s.r.o. from Golde Netherlands, BV. until reaching 99.77% of its share.
- On 2<sup>nd</sup> November 2022, the liquidation process of Inteva Products (Barbados), Ltd. began. Within the liquidation procedures, a legal document has been signed by which all the assets and liabilities of the Barbadian company are transferred to its direct parent company, Golde USA, LLC, a US national. The assets and liabilities transferred include the interests that Inteva Products (Barbados), Ltd. held in the Chinese companies Golde Shanghai, Co. Ltd., Golde Changchun, Co. Ltd. and CIE Golde Shanghai Innovation, Co. Ltd.; all owned by 100%.
- On 7<sup>th</sup> November 2022, CIE Roof Systems, S.L.U. has acquired from SIR SAS 50% of shares that the latter had in the joint venture Golde Shanghai Automotive Parts, Co. Ltd.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

- On 8<sup>th</sup> November 2022, the cross-border merger was formalized in which CIE Roof Systems, S.L.U., absorbing company of Spanish nationality, has absorbed Golde Holdings, BV of Dutch nationality. With this merger, CIE Roof Systems, S.L.U. has come to hold 100% of the share in the Chinese companies Golde Tianjin, Co. Ltd., Golde Shandong, Co. Ltd. and Golde Wuhan, Co. Ltd. The merger date for accounting purposes was the 1<sup>st</sup> January 2022.
- On 28<sup>th</sup> November 2022, CIE Roof Systems, S.L.U. has acquired 100% of the French company SIR SAS, of French nationality, from its direct subsidiary Golde Netherlands, BV.
- During the months of November and December, the necessary procedures were carried out to migrate the US company Golde USA, LLC (subsidiary of CIE Roof Systems, S.L.U. and 100% owned) to Biscay (Spain). This process was completed on 23<sup>rd</sup> December 2022, the day on which the company was domiciled and nationalized for legal and tax purposes in Spain, without having lost its legal personality. Within this migration process, the corporate name of the company has also been modified, becoming CIE Golde Holding, S.L.U.

### 2021

During the first semester of the year, the Group acquired 2,200,441 shares of its subsidiary Mahindra CIE Automotive, Ltd. for a total amount of €4,792 thousand, resulting in a decrease of the consolidated equity schedule for the cost of the acquisition. The Group's interest increased, with this last acquisition, from 60.18% to 60.75% being the share percentage in Mahindra CIE Automotive, Ltd. held by the Group as of 31<sup>st</sup> December 2021.

Additionally, in 2021, the following corporate operations have been carried out without any of them having had significant impacts on the Consolidated Financial Statements:

- On the accounting date of 1<sup>st</sup> January 2021, the merger between PIA Forging Products, S.L.U. (absorbed company) and Participaciones Internacionales de Autometal Dos, S.L.U. (absorbing company) were carried out.
- On 6<sup>th</sup> August 2021, the Indian company CIE Hosur, Ltd. was incorporated.
- On the accounting date of 12<sup>th</sup> August 2021, the German company Aurangabad Deutschland, GmbH was liquidated.
- On 29<sup>th</sup> September 2021, the Indian company Golde Pune Automotive India Pvt. Ltd. was incorporated.
- On 9<sup>th</sup> October 2021, the Korean company CIE Automotive Roof Systems Korea, Ltd. was incorporated.
- On 31<sup>st</sup> October 2021, the mergers by absorption of Percaser de México, S.A. de C.V. and Servicat Servicios Administrativos, Contables y Técnicos, S.A. de C.V. (absorbed companies) with Nugar, S.A. de C.V., and Pintura y Ensamblajes de México, S.A. de C.V. (absorbing companies), respectively, were carried out.
- On 1<sup>st</sup> December 2021, the companies Biodiesel del Mediterráneo, S.L.U. and Reciclados Ecológicos de Residuos, S.L.U. were liquidated.

### Consolidated Annual Accounts of CIE Automotive Group

Under the Spanish Royal Decree 1,815/1,991 of December 20, the Company is obliged to present Consolidated Annual Accounts.

On 24<sup>th</sup> February 2023, the Company authorized the issuance of the Consolidated Annual Accounts of CIE Automotive, S.A. and its subsidiaries for the year ended 31<sup>st</sup> December 2022, which presented profit for the year attributable to owners of the parent of €300,120 thousand and equity, including profit for the year and non-controlling interests, of €1,504,649 thousand (2021: €267,544 thousand and €1,367,622 thousand, respectively).

Those Consolidated Annual Accounts were prepared under the International Financial Reporting Standards adopted by the European Union (IFRS-EU). Appendix II, attached, includes the Groups' consolidated 2022 and 2021 balance sheets and income statements under IFRS-EU.

The Consolidated Annual Accounts include all CIE Automotive Group companies defined under Article 42 of Spain's Code of Commerce, each of which is consolidated using the appropriate method. All the subsidiaries under control of CIE Automotive Group have been incorporated into the consolidation using the global integration method. The list of CIE Automotive Group companies is attached to these Annual Accounts as Appendix I.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### 2. Basis of presentation

#### 2.1 Fair presentation

The Annual Accounts were prepared from the Company's accounting records and are presented in accordance with current commercial legislation and with the rules established in the General Accounting Plan, approved by Royal Decree 1514/2007 and the modifications incorporated therein, being the last ones incorporated by means of Royal Decree 1/2021, of 12<sup>th</sup> January in force for fiscal years beginning on or after 1<sup>st</sup> January 2021, in order to give a true and fair view of the Company's equity, financial position and results, as well as the veracity of the cash flows included in the statements of cash flows. These annual accounts were authorized for issue by the Company's Directors and will be submitted for shareholder approval at the Annual General Meeting at which they are expected to be ratified without modification. The 2021 Annual Accounts were approved at the Annual General Meeting held on 28<sup>th</sup> April 2022.

#### 2.2 Key sources of estimation uncertainty

The preparation of the Annual Accounts requires the Company to make certain estimates and judgments concerning the future. These are continually evaluated and are based on historical experience and other factors, including expectations of future events considered being reasonable under current circumstances.

The resulting accounting estimates will, by definition, seldom match the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### Impairment of investments in group companies and associates

The Company annually tests if investments in the equity of group companies and associates have suffered an impairment applying, according to the accounting policy described in Note 3.5.c). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimations.

This analysis is based on comparing the book value of each holding with the recoverable value associated with each of its direct holdings, and which in most cases correspond to holding companies whose main activity consists of holding of participations in the legal companies of the plants that make up the Group. This analysis is carried out considering the cost of the shares to be recovered from the shares at the lowest level at which they are found. In cases where the equity value of the investment is less than the share held by its direct participating company, the Company verifies that the value in use of each of the companies exceeds the cost of shares.

For the analysis of the value recovery of its holdings, the Company considers the value in use of each of its direct investees, understanding the value in use as the present value of the future cash flows derived from each investment and its corresponding subsidiaries, reduced by the net financial debt contributed by each of the shares (equity value).

The assumptions used, as well as the results obtained from the analysis carried out as of 31<sup>st</sup> December 2022 and 2021 are included in Note 7.c).

As of 31<sup>st</sup> December 2022, within the current macroeconomic and sectoral context, updated market projections have been taken into consideration, and have not modified the conclusions regarding the recoverability of the shares held by the Company. In this sense, the projections made by the Management already include different considerations about potential future events that may affect projected cash flows of each of its businesses.

##### Fair value of derivatives or other financial instruments

The fair value of unlisted financial instruments (for example, derivatives from outside official market) is determined by using valuation techniques. The Company exercises judgment in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at each balance sheet date. The Company has used discounted cash flow analysis to measure financial instruments that are not traded on active markets.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### Income tax

The legal status of the tax regulations applicable to the Company mean that estimates are employed, and the final quantification of tax is uncertain. Tax is calculated based on Management's best estimates, always taking into account prevailing tax legislation and foreseeable legislative changes (Note 18).

When the final tax result differs from the amounts initially recognised, such differences will have an effect on income tax and provisions for deferred taxes in the year in which they are identified.

If the final outcome (on judgment areas) differs by 10% not favourable from management estimates, deferred assets would decrease and income tax would increase by approximately €5.5 million (2021: €3.8 million), and if these variations were favourable these deferred assets would increase, and income would decrease by approximately €2.6 million (2021: €2.3 million).

The result of this sensitivity analysis is conditioned by Management's estimates of the consolidated tax base of the Basque tax group, that in 2021 estimated a decrease in the taxable income after the confirmation on normative certainty in the use of tax incentives by the tax group.

As of 31<sup>st</sup> December 2022, within the current macroeconomic and sectoral context, updated market projections have been taken into consideration, as well as the latest internal information available on the near future of each of the businesses owned by the Group. In this sense, the projections made by the Management already include different considerations on potential future events that may affect the projected tax results in the Basque tax group, of which the Company is parent.

### Employee benefits

In the profit-sharing and bonus agreements for its current employees, the Company makes estimates in the amounts of the benefits to be paid and the group of people to whom it is applicable.

Any change in the number of employees that ultimately benefits from these remuneration schemes or in the assumptions used would have an impact on the carrying amounts of the related provisions and on the income statement.

In addition, the Company makes estimates to measure the benefits payable in respect of employees benefiting from share-based payments or from additional incentives approved based on the value of the shares.

These estimates are reviewed at the end of each reporting period and the related provisions are adjusted to reflect the best estimates as of the year end.

As of 31<sup>st</sup> December 2022, payments have been made to the personnel based on the share price for €3.0 million (as of 31<sup>st</sup> December 2021 €5.9 million) (Note 24).

## **2.3 Aggregation**

For clarity, the items presented in the balance sheet, income statement, statement of changes in equity and cash flow statement are grouped together and, where necessary, a breakdown is included in the relevant notes to the accounts.

## **2.4 Presentation currency**

The Annual Accounts are expressed in thousand euros, unless otherwise indicated.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### 3. Accounting policies

The principal accounting policies applied in the preparation of these Annual Accounts are set out below.

#### 3.1. Intangible assets

##### Goodwill

Goodwill is the excess at the acquisition date of the cost of a business combination over the fair value of the identifiable net assets acquired in the transaction. As a result, goodwill is only recognised when it is acquired for consideration and represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognised.

Goodwill recognized separately is amortised on a straight-line basis over its estimated useful life, being valued at acquisition cost less accumulated amortization, and, if applicable, the accumulated amount of recognized impairment corrections. The useful life is determined separately for each of the CGU groups to which it has been assigned and is estimated to be 10 years. At least annually, it is analysed if there are indications of impairment of the value of the cash-generating unit groups to which goodwill has been assigned, and if there is one, its eventual deterioration is checked.

The valuation adjustments for impairment recognized in goodwill are not reversed in subsequent years.

##### Computer applications

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and prepare them for use of the specific software. These costs are amortised over the assets' estimated useful lives (between 4 to 6 years).

Software maintenance expenses are recognised when incurred. Costs directly related to the production of identifiable and unique computer programs controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of the relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 6 years and the time it begins to be amortised once is capitalized is no longer than one year.

##### Patents

Patents are carried at cost less accumulated amortization and corrections for impairment of recognized value. Amortization is calculated using the straight-line method to allocate the cost over its estimated useful life (10 years).

#### 3.2. Property, plant and equipment

Property, plant and equipment are recognised at acquisition price or production cost less accumulated depreciation and accumulated impairment losses recognised.

Own work capitalized is calculated by summing the acquisition cost of consumable materials and the direct and indirect costs attributable to the production of these assets.

Costs incurred to extend, modernize or improve property, plant and equipment are only recognised as an increase in the value of the asset when the capacity, productivity or useful life of the asset is extended and always it is possible to ascertain or estimate the carrying amount of the assets that have been replaced in inventories.

Maintenance expenses are charged to the income statement during the year in which they are incurred.

Depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated systematically using the straight-line method over the assets' estimated useful lives based on the actual decline in value brought about by operation, use and possession. The estimated useful lives are as follows:



## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

|                                | Estimated useful life<br>years |
|--------------------------------|--------------------------------|
| Buildings                      | 25 to 33                       |
| Furniture and other facilities | 10                             |
| Other fixed assets             | 4 to 6                         |

The residual value and useful lives of assets are reviewed and adjusted, if necessary, at each balance sheet date.

If an asset's carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 3.3).

Gains and losses on the sale of property, plant and equipment are calculated by comparing the revenue obtained with the carrying amount and are recognised in the income statement. Retirements and disposals are accounted for by eliminating the item's cost and the corresponding accumulated depreciation charge.

### 3.3. Impairment of non-financial assets

Depreciable assets are tested for impairment whenever there is any indication that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, understood this one as the asset's fair value less the higher of costs to sell or value in use. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are separately identifiable cash flows (Cash Generating Units groups). Non-financial assets, other than goodwill, which are impaired, are reviewed at the balance sheet date for possible reversal of the loss.

### 3.4. Exchanges of assets

Whenever an item of property, plant and equipment, an intangible asset or an investment property is acquired by means of an exchange having a commercial substance, the asset received is measured at the fair value of the asset given up, plus any monetary consideration awarded, barring better evidence supporting the value of the asset received and up to the limit of the latter. For such purposes, the Company considers that an exchange is commercial in nature when the configuration of the cash flows from the fixed assets received differs from the configuration of the cash flows from the asset given up or when the present value of the cash flows after tax from the activities affected by the exchange is altered. In addition, any of the previous differences must be significant with respect to the fair value of the assets exchanged.

If the exchange is not commercial in nature or the fair value of the assets of the transaction cannot be determined, the asset received is measured at carrying amount of the assets delivered plus the monetary consideration delivered, up to the fair value of the asset received if lower and provided that it is available.

### 3.5. Financial assets

#### a) Financial assets at fair value with changes in the profit and loss account

This category includes equity instruments that are not held for trading, or that are to be valued at cost, and over which the irrevocable choice has been made at the time of their initial recognition to present subsequent changes in fair value directly in equity.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

Additionally, those financial assets designated, at the time of initial recognition irrevocably as measured at fair value with changes in the profit and loss account, and that would otherwise have been included in another category, are included to eliminate or significantly reduce a valuation inconsistency or accounting asymmetry that would arise in another case from the valuation of assets or liabilities on different bases.

### *Initial valuation*

The financial assets included in this category will initially be valued at their fair value, which, unless there is evidence to the contrary, will be the transaction price, which will be equivalent to the fair value of the consideration delivered. Transaction costs directly attributable to them shall be recognised in the profit and loss account for the financial year.

### *Subsequent valuation*

After initial recognition, the company will value the financial assets included in this category at fair value with changes in the profit and loss account.

### **b) Financial assets at amortised cost**

This category includes those financial assets, including those admitted to trading on an organized market, in which the Company maintains the investment with the aim of receiving the cash flows derived from the execution of the contract, and the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are only settlements of principal and interest on the amount of outstanding principal.

Contractual cash flows that are only charges of principal and interest on the amount of the outstanding principal are inherent in an agreement that has the nature of an ordinary or common loan, without prejudice to the fact that the operation is agreed at a zero or below market interest rate.

This category includes credits for commercial operations and credits for non-commercial operations:

- a) Credits for commercial operations: are those financial assets that originate in the sale of goods and the provision of services for traffic operations of the company with deferred collection, and
- b) Credits for non-commercial operations: are those financial assets that, not being instruments of equity or derivatives, have no commercial origin and whose collections are of a determined or determinable amount, which come from loan or credit operations granted by the company.

### *Initial valuation*

Financial assets classified in this category shall initially be valued at their fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be equal to the fair value of the consideration delivered, plus the transaction costs directly attributable to them.

However, credits for commercial transactions with a maturity not exceeding one year and which do not have an explicit contractual interest rate, as well as staff credits, dividends receivable and disbursements required on equity instruments, the amount of which is expected to be received in the short term, are valued at their nominal value to the extent that the effect of not updating the cash flows is considered not significant.

### *Subsequent valuation*

Financial assets included in this category shall be valued at their amortised cost. Accrued interest shall be accounted for in the profit and loss account, applying the effective interest rate method.

However, loans with a maturity not exceeding one year that, in accordance with the provisions of the previous section, are initially valued at their nominal value, continue to be valued at that amount, unless they have been deteriorated.

When the contractual cash flows of a financial asset are modified due to the financial difficulties of the issuer, the company analyses whether it is appropriate to account for an impairment loss.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### Impairment

The necessary valuation corrections are made, at least at closing and provided that there is objective evidence that the value of a financial asset, or of a group of financial assets with similar risk characteristics valued collectively, has been deteriorated as a result of one or more events that have occurred after its initial recognition and that cause a reduction or delay in future estimated cash flows, which may be motivated by the debtor's insolvency.

In general, the impairment loss of these financial assets is the difference between their carrying value and the present value of future cash flows, including, where appropriate, those arising from the enforcement of the collateral and personal guarantees, which are expected to be generated, discounted at the effective interest rate calculated at the time of their initial recognition.

Impairment value adjustments, as well as their reversal when the amount of such loss decreases for reasons related to a subsequent event, are recognized as an expense or an income, respectively, in the profit and loss account. The reversal of impairment is limited to the carrying value of the asset that would be recognized on the date of reversal if the impairment had not been recorded.

### **c) Financial assets at cost**

In any case, investments in the equity of group companies, jointly controlled entities and associated companies are included in this valuation category.

#### *Initial valuation*

Investments included in this category will initially be valued at the cost, which is equivalent to the fair value of the consideration delivered plus the transaction costs that are directly attributable to them, the latter not being incorporated into the cost of investments in group companies.

However, in cases where there is an investment prior to its classification as a group, jointly controlled or associated company, the cost of said investment is considered to be the book value that it should have immediately before the company becomes qualified.

Part of the initial valuation is the amount of preferential subscription rights and similar that, where appropriate, have been acquired.

#### *Subsequent valuation*

Equity instruments included in this category are valued at their cost, less, where appropriate, the cumulative amount of impairment valuation corrections.

When these assets must be assigned a value due to derecognition from the balance sheet or other reason, the method of the average cost weighted by homogeneous groups is applied, these being understood as the values that have equal rights.

In the case of sale of preferential subscription rights and similar or segregation thereof to exercise them, the amount of the cost of the rights decreases the book value of the respective assets.

Contributions made as a result of a joint venture account contract and similar shall be valued at the cost, increased or decreased by the profit or loss, respectively, that correspond to the company as a non-managing unit-holder, and less, where appropriate, the accumulated amount of the impairment valuation corrections.

The same criterion applies to participating loans whose interest is contingent, either because a fixed or variable interest rate is agreed conditional on the fulfilment of a milestone in the borrowing company (for example, the obtaining of profits), or because they are calculated exclusively by reference to the evolution of the activity of the aforementioned company. If, in addition to a contingent interest, an irrevocable fixed interest is agreed, the latter is accounted for as a financial income based on its accrual. Transaction costs are charged to the profit and loss account on a straight-line basis over the life of the equity loan.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### Impairment

At least at the end of the financial year, the necessary valuation corrections are made whenever there is objective evidence that the carrying value of an investment will not be recoverable. The amount of the valuation correction is the difference between its carrying value and the recoverable amount, understood as the largest amount between its fair value minus the costs of sale and the present value of the future cash flows derived from the investment, which in the case of equity instruments is calculated, either by estimating those expected to be received as a result of the distribution of dividends made by the investee company and the disposal or withdrawal from accounts of the investment in it, or by estimating its participation in the cash flows that are expected to be generated by the investee company, from both its ordinary activities and its disposal or withdrawal from accounts.

Unless there is better evidence of the recoverable amount of investments in equity instruments, the estimate of the impairment loss of this asset class is calculated on the basis of the equity of the investee and the tacit capital gains existing at the date of valuation, net of the tax effect. In determining this value, and provided that the investee company has invested in another, the equity included in the Consolidated Annual Accounts prepared by applying the criteria of the Commercial Code and its implementing rules is taken into account.

The recognition of impairment valuation corrections and, where appropriate, their reversal, is recorded as an expense or income, respectively, in the profit and loss account. Impairment reversal is limited to the carrying value of the investment that would be recognized on the date of reversal if the impairment had not been recorded.

However, in the event that there has been an investment in the company, prior to its classification as a group, jointly controlled or associated company, and prior to that qualification, valuation adjustments directly imputed to the equity derived from such investment have been made, these adjustments are maintained after the qualification until the disposal or withdrawal of the investment, at which time they are recorded in the profit and loss account, or until the following circumstances occur:

(a) In the case of prior valuation adjustments for increases in value, impairment valuation adjustments shall be recorded against the equity reflecting the valuation adjustments previously made up to the amount thereof, and the excess, if any, is recorded in the profit and loss account. The valuation correction for impairment directly imputed to equity is not reversed.

b) In the case of previous valuation adjustments for value reductions, when subsequently the recoverable amount is higher than the book value of the investments, the latter is increased, up to the limit of the indicated value reduction, against the item that has collected the previous valuation adjustments and from that moment the new amount arising is considered the cost of the investment. However, when there is objective evidence of impairment in the value of the investment, losses accumulated directly in equity are recognized in the profit and loss account.

### **3.6. Derivative financial instruments and accounting hedge**

Financial derivatives are measured at fair value upon initial recognition and for subsequent measurement purposes. The method used to recognize the resulting gain or loss depends on whether the derivative has been designated as a hedging instrument, and if so, the nature of the hedge. The Company designates certain derivatives as either:

#### **a) Fair value hedges:**

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the profit and loss account, along with any change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Where the hedged item is an unrecognised firm commitment or a component thereof, the cumulative change in the fair value of the hedged item after its designation is recognised as an asset or liability, and the corresponding gain or loss is reflected in the profit and loss account.

Changes in the carrying amount of covered items valued at amortised cost imply the correction, either from the moment of the modification, or subsequently from the cessation of hedge accounting, of the effective interest rate of the instrument.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### **b) Cash flow hedges:**

The loss or gain of the hedging instrument, in the part that constitutes an effective hedge, is directly recognised in the equity. Thus, the equity component that arises as a result of the coverage is adjusted to be equal, in absolute terms, to the lower of the following two values:

- (i) The cumulative loss or gain of the hedging instrument since the start of the hedging.
- (ii) The cumulative change in the fair value of the hedged item (i.e., the present value of the cumulative change in the hedged expected future cash flows) since the start of the hedge.

Any remaining loss or gain of the hedging instrument or any loss or gain required to offset the change in the cash flow hedging adjustment calculated in accordance with the preceding paragraph, represents an ineffectiveness of the hedging that is recognised in the result for the year.

If a highly probable expected covered transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a covered expected transaction relating to a non-financial asset or a non-financial liability becomes a firm commitment to which fair value hedge accounting applies, that amount is removed from the cash flow coverage adjustment and is included directly in the initial cost or other carrying amount of the asset or liability. The same criterion applies to the exchange rate risk hedges of the acquisition of an investment in a group, jointly controlled or associated company.

In all other cases, the recognised equity adjustment is transferred to the profit and loss account to the extent that the hedged expected future cash flows affect the result for the year.

However, if the recognised equity adjustment is a loss and all or part of it is not expected to be recovered in one or more future periods, that amount that is not expected to be recovered is immediately reclassified in the result for the year.

### **3.7. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### **3.8. Equity**

The Company's share capital is represented by ordinary shares.

Costs of issuing new shares or options are recognised directly in equity as a reduction in reserves.

If the Company purchases treasury shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are redeemed, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any incremental directly attributable transaction costs, is included in equity.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### 3.9. Financial liabilities

Financial liabilities, for the purposes of their valuation, shall be included in one of the following categories:

#### **Financial liabilities at amortised cost**

In general, this category includes debits for commercial operations and debits for non-commercial operations:

- a) Debits for commercial operations: are those financial liabilities that originate in the purchase of goods and services for traffic operations of the company with deferred payment, and
- b) Debits for non-commercial operations: are those financial liabilities that, not being derivative instruments, have no commercial origin, but come from loan or credit operations received by the company.

Equity loans that have the characteristics of an ordinary or common loan are also included in this category without prejudice to the agreed interest rate (zero or below market).

#### *Initial valuation*

Financial liabilities included in this category are initially valued at their fair value, which is the transaction price, which is equivalent to the fair value of the consideration received adjusted for transaction costs directly attributable to them.

However, debits for commercial transactions with a maturity not exceeding one year and which do not have a contractual interest rate, as well as disbursements required by third parties on shares, the amount of which is expected to be paid in the short term, are valued at their nominal value, when the effect of not updating cash flows is not significant.

#### *Subsequent valuation*

Financial liabilities included in this category are valued at their amortised cost. Accrued interest is accounted for in the profit and loss account, applying the effective interest rate method.

However, debits with a maturity not exceeding one year which are initially valued at their nominal value continue to be valued at that amount.

#### **Financial liabilities at fair value with changes in the profit and loss account**

This category includes financial liabilities that meet any of the following conditions

- a) Liabilities that are maintained for negotiation.
- b) Those irrevocably designated from the moment of initial recognition to account for fair value with changes in the profit and loss account, given that:
  - An inconsistency or "accounting asymmetry" with other fair value instruments with changes in profit and loss is eliminated or significantly reduced; or
  - A group of financial liabilities or financial assets and liabilities is managed and its performance is assessed on the basis of its fair value in accordance with a risk management strategy or documented investment and group information is also provided on the basis of fair value to key management personnel.
- c) Non-segregable hybrid financial liabilities included optionally and irrevocably.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### *Initial and subsequent assessment*

Financial liabilities included in this category are initially valued at fair value, this being the transaction price, which is equivalent to the fair value of the consideration received. Transaction costs directly attributable to them are recognised in the profit and loss account for the period.

After initial recognition, financial liabilities falling under this category are valued at fair value with changes in the profit and loss account.

In the case of convertible bonds, the fair value of the liability component is determined by applying the interest rate for similar non-convertible bonds. This amount is accounted for as a liability on the basis of the cost amortised until its settlement at the time of its conversion or maturity. The rest of the income obtained is allocated to the conversion option that is recognised in the equity.

In the event of renegotiation of existing debts, it is considered that there are no substantial changes in financial liabilities when the lender of the new loan is the same as the lender who granted the initial loan and the present value of cash flows, including net commissions, does not differ by more than 10% from the present value of unpaid cash flows from the original liability calculated under the same method.

### **3.9.1. Accounting policies on financial liabilities applicable until fiscal year 2020**

#### Debts and payables

This includes trade and non-trade payables. These payables are classed as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

Payables are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the discount rate that brings the carrying amount of the instrument into line with the expected flow of forecast future payments to maturity of the liability.

Nonetheless, trade payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

In the event of renegotiation of existing debts, it is considered that there are no substantial changes in financial liabilities when the new loan lender is the same as the one that granted the initial loan and the current value of the cash flows, including net commissions, does not differ by more than 10% from the present value of the cash flows pending payment of the original liability calculated under the same method.

In the case of convertible bonds, the Company determines the fair value of the liability component using the rate of interest for similar non-convertible bonds. This figure is recorded as a liability on the basis of the amortised cost until it is settled upon conversion or maturity. Other income obtained is allocated to the conversion option and is recognised in equity.

### **3.10. Current and deferred income tax**

The Company files its taxes under the consolidated tax system as the parent of a group of companies (Note 18). The subsidiaries included in the Company's consolidated tax group for tax return purposes, according to Bizkaia provincial tax laws, in 2022 are as follows:

- CIE Berriz, S.L.
- Autokomp Ingeniería, S.A.U.
- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recycle, S.A.U.
- Alcasting Legutiano, S.L.U.
- Gestión de Aceites Vegetales, S.L.
- Reciclado de Residuos Grasos, S.L.U.
- Participaciones Internacionales Autometal Dos, S.L.U.
- Industrias Amaya Tellería, S.L.U.
- Mecanizaciones del Sur – Mecasur, S.A.
- CIE Automotive Goiaín, S.L.U.
- CIE Automotive Boroa, S.L.U.
- CIE Roof Systems, S.L.U.
- Recogida de Aceites y Grasas Maresme, S.L.U.
- CIE Golde Holding, S.L.U. (incorporated in the year 2022)
- Reciclados Ecológicos de Residuos, S.L.U. and Biodiesel del Mediterráneo, S.L.U. (liquidated in December 2021 and officially registered in February 2022).

Income tax expense (income) is that amount of income tax that accrues during the period. It includes both current and deferred tax expense (income).

Income tax is calculated on the basis of accounting profit adjusted for any permanent differences between profit for accounting and tax purposes. Tax credits available at the consolidated tax group level, arising mainly from corporate investing activities, are analyzed annually for future utilization and offset and are recognised as a function of current expectations regarding their utilization. This analysis not only encompasses estimable taxable income but also expectations regarding the use of tax credits granted (Note 16).

Both current and deferred tax expense (income) are recognised in the income statement. However, the tax effect of items recognised directly in equity is recognised in equity.

Current tax assets and liabilities are measured at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes are calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred income tax is not accounted for if it arises from initial recognition of a goodwill or an initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor tax base. Deferred income tax is determined implementing applicable legislation and the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

### 3.11. Employee benefit

#### a) Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to its shareholders after certain adjustments as well as other ratios of a financial nature. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.



## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### b) Termination benefits

Termination benefits are paid to employees as a result of a decision to terminate employment contracts before the normal retirement age or when employees voluntarily agree to resign in return for such benefits. They include benefits agreed under redundancy plans that terminate employment contracts before the normal retirement age. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

### c) Share-based payments

At 31<sup>st</sup> December, 2022 the Group maintains several share-based payment plans settled in equity instruments of the following subsidiaries: Mahindra CIE Automotive, Ltd, listed on the Indian stock market (Appendix I).

Under these plans, the CIE Automotive Group receives services from the plan beneficiaries in exchange for equity instruments (options) in the aforementioned subsidiaries.

The fair value of the employee services received in exchange for the grant of such shares/ options is recognised as employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions.
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the company).

The balancing entry for the staff cost recognised is dividend income from the subsidiaries whose shares underlie the options granted and are deliverable at the end of the term of the plan. Delivery of the aforementioned equity instrument gives rise to the corresponding change against the Group's equity.

Likewise, at the General Meeting of shareholders, held on 24th April 2018, the concession for the CEO of a long-term incentive was approved based on the evolution of the share price of CIE Automotive, S.A. This agreement was modified at the General Shareholders' Meeting on 5<sup>th</sup> May 2021 and has been partially executed in both fiscal years 2022 and 2021 (Note 24).

The total cost of this incentive is recognized as personnel costs, in the period in which the conditions to reach it must be met.

### **3.12. Provisions and contingent liabilities**

The Company recognises provisions when it has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the best estimate of the expenditure required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expenses.

Provisions due within one year or for which the effect of the time value of money is not material are not discounted.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

When some of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised separately when, and only when, it is virtually certain that reimbursement will be received.

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognised in the financial statements but are disclosed in the accompanying Notes as warranted.

### 3.13. Business combinations

Mergers, spin-offs and non-monetary contributions of businesses among entities under common control are recognised following the rules for accounting for related-party transactions (Note 3.18).

Mergers and spin-offs that are not common control transactions and business combinations arising from the acquisition of all of the assets and liabilities of a company or a portion thereof that constitutes one or more businesses are recognised using the acquisition method.

The Company recognises business combinations arising from the acquisition of shares or equity interests in another company in accordance with the rules for accounting for investments in Group companies, joint ventures and associates (Note 3.5.c).

### 3.14. Joint operations

#### Joint ventures

Investments in joint ventures are recognised and measured in keeping with the criteria for accounting for investments in Group companies, joint ventures and associates (Note 3.5.c).

### 3.15. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in exchange for the goods delivered and services rendered in the course of the Company's ordinary activities, less returns, discounts and value added tax.

The Company recognises revenue when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the specific conditions applicable to each of its activities are met. The amount of revenue cannot be measured reliably until all of the contingencies associated with the sale have been resolved. The Company's estimates are based on historical data, taking into account customer and transaction types, as well as the specific terms of each contract.

According to the interpretation published by the ICAC in its official journal in September 2009 (interpretation no. 79), companies classified as 'industrial holding companies', such as CIE Automotive, S.A., must present dividends, interest income and management fees from their investments in Group companies, jointly controlled entities and associates within revenue in their income statements.

#### a) Sales of services

The Company invoices CIE Automotive Group companies for sales commission, for providing general management and administration services, as well as services in the field of IT, according to contracts with each.

Service revenue is recognised in the financial year in which the services are provided with reference to the outcome of the transaction in question and on the basis of the actual level of service performed as a percentage of total services performable.

Revenue from royalties is recognised on an accrual basis in accordance with the substance of the relevant agreements.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### b) Interest income

Interest income of financial assets valued at amortised cost is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues updating the receivable as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

### c) Dividend income

Dividend income is recognised as revenue in the income statement when the right to receive payment is established, provided that, since the date of acquisition, an investee company or any subsidiary of the Group has generated profits for an amount greater than the equity distributed. However, if the dividends distributed come from results generated prior to the date of acquisition, they are not recognized as income, reducing the carrying amount of the investment.

### 3.16. **Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### 3.17. **Foreign currency transactions**

#### a) Functional and presentation currency

The Company's Annual Accounts are presented in euro, which is both its functional and presentation currency.

#### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign currency gains and losses resulting from the settlement of transactions and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, unless they are deferred in equity as eligible cash flow hedges and eligible net investment hedges (Note 3.6).

Exchange gains and losses are presented in the income statement under "Net exchange differences".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

### 3.18. **Related-party transactions**

As a general rule, intragroup transactions are initially recognised at fair value. If the price agreed differs from fair value, the difference is recognised based on the economic substance of the transaction. Subsequent measurement follows prevailing accounting rules.

However, in mergers, spin-offs or non-monetary business contributions, the constituent elements of the acquired business are valued at the amount corresponding to them, once the operation has been carried out, in accordance with their previous values according to the Consolidated Annual Accounts of the group or subgroup, or in case of waiver, the greater between the cost of acquiring the business in the contributing company, and the amount representing its percentage of participation in the equity of the investee company whose business is transferred.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

When the parent of the group or subgroup of the subsidiary does not intervene, the annual accounts used for this purpose are those of the highest-level Spanish-parented group or subgroup to recognize the assets and liabilities.

In these cases, any difference between the acquiree's net assets and liabilities, adjusted for grants, donations and bequests received, valuation adjustments and any equity (capital or share premium) issued by the acquiring company, is recognised in reserves.

### 3.19. Dividend distribution

The payment of dividends to shareholders is recognised, to the extent outstanding, as a liability in the annual accounts in the year in which the dividends are approved by the shareholders in General Meeting or declared by the Board of Directors.

## 4. Financial risk management

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and climate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Company's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

#### a) Market risk

##### (i) Foreign exchange risk

The Group CIE Automotive presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, the Group CIE Automotive uses the Management Scope concept. This concept encompasses all collection/payment flows in a currency other than the euro expected to materialize over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope would also apply to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months.

Having defined the Management Scope, the Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Currency forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of the Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at 31<sup>st</sup> December 2022, the euro had been devalued/revalued by 10% with respect to all other functional currencies other than euro, all other variables remaining constant, equity would have increased/decreased by €287/€235 million (2021: increased/decreased by €268/€220 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had devalued/revalued by 10% in 2022 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €24.2/€19.8 million higher/lower, respectively (2021: €23.2/€19.0 million higher/lower), mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

If as of 31<sup>st</sup> December 2022, the euro had been devalued/revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the parent would have varied according to the following table:

|                | <b>Equity<br/>(million euro)</b> |                          | <b>Profit after tax<br/>(million euro)</b> |                          |
|----------------|----------------------------------|--------------------------|--------------------------------------------|--------------------------|
|                | <b>Devalued Euro 10%</b>         | <b>Revalued Euro 10%</b> | <b>Devalued Euro 10%</b>                   | <b>Revalued Euro 10%</b> |
| Chinese yuan   | 89                               | (73)                     | 6.2                                        | (5.0)                    |
| US dollar      | 79                               | (65)                     | 10.2                                       | (8.4)                    |
| Indian rupee   | 61                               | (50)                     | 4.3                                        | (3.5)                    |
| Brazilian real | 38                               | (31)                     | 4.5                                        | (3.7)                    |

### (ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

### (iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group converts the benchmarked floating interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2022 the average interest rate on borrowings denominated in euro had been 100 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €12,100 thousand lower/higher (2021: €14,646 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

As of 31<sup>st</sup> December 2021, the Group had not contracted interest rate hedging derivatives. As of 31<sup>st</sup> December 2022, in relation to the valuation of the contracted derivatives, a variation of 10 basis points higher/lower in all the sections of the interest rate curve considered in the valuation of both hedging and non-hedging derivatives coverage would affect equity decreasing by €23/€86 thousand.

### b) Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards).

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt of the Group at 31<sup>st</sup> December 2022 and 2021 as follows:

| Thousand euro                       | 31.12.2022       | 31.12.2021       |
|-------------------------------------|------------------|------------------|
| Cash and cash equivalents           | 732,053          | 658,788          |
| Other current financial assets      | 125,283          | 126,135          |
| Undrawn lines of credit             | 676,908          | 724,767          |
| <b>Liquidity buffer</b>             | <b>1,534,244</b> | <b>1,509,690</b> |
| Bank borrowings                     | 2,141,122        | 2,179,853        |
| Other current financial liabilities | 6,012            | -                |
| Cash and cash equivalents           | (732,053)        | (658,788)        |
| Other current financial assets      | (125,283)        | (126,135)        |
| <b>Net debt</b>                     | <b>1,289,798</b> | <b>1,394,930</b> |

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

Additionally, as of 31<sup>st</sup> December 2022, Shanghai Golde Auto Parts, Co. Ltd., a joint venture in which the Group has a 50% and consolidates using the equity method, has a net treasury of €40 million (€36 million in 2021).

The evolution of the Net Financial Debt in 2022 and 2021 is shown in the following table:

| Thousand euro                                           | Cash and cash equivalents<br>(Note 12) | Other financial assets<br>(Note 9) | Bank borrowings<br>(Note 15) | Other financial liabilities (Note 9) | TOTAL              |
|---------------------------------------------------------|----------------------------------------|------------------------------------|------------------------------|--------------------------------------|--------------------|
| <b>Net Financial debt 1<sup>st</sup> January 2021</b>   | <b>565,561</b>                         | <b>105,176</b>                     | <b>(2,248,031)</b>           | <b>(17,630)</b>                      | <b>(1,594,924)</b> |
| Cash flow                                               | 49,031                                 | 13,178                             | 96,166                       | 10,944                               | 169,319            |
| Exchange rate adjustments                               | 44,756                                 | 4,108                              | (23,940)                     | -                                    | 24,924             |
| Other non-monetary movements                            | -                                      | 3,673                              | (7,250)                      | 6,686                                | 3,109              |
| Flows from discontinued operations                      | (560)                                  | -                                  | 3,202                        | -                                    | 2,642              |
| <b>Net Financial debt 31<sup>st</sup> December 2021</b> | <b>658,788</b>                         | <b>126,135</b>                     | <b>2,179,853</b>             | <b>-</b>                             | <b>(1,394,930)</b> |
| Cash flow                                               | 68,765                                 | 7,493                              | 49,717                       | -                                    | 125,975            |
| Exchange rate adjustments                               | 10,415                                 | (3,122)                            | (14,796)                     | -                                    | (7,503)            |
| Other non-monetary movements                            | -                                      | (5,179)                            | (12,264)                     | (6,012)                              | (23,455)           |
| Flows from discontinued operations                      | 3,391                                  | 174                                | 5,752                        | -                                    | 9,317              |
| Discontinued operations (Note 13)                       | (9,306)                                | (218)                              | 10,322                       | -                                    | 798                |
| <b>Net Financial debt 31<sup>st</sup> December 2022</b> | <b>732,053</b>                         | <b>125,283</b>                     | <b>(2,141,122)</b>           | <b>(6,012)</b>                       | <b>(1,289,798)</b> |

The Group's Treasury Department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2023 will allow facing recurrent payments without increasing net financial debt.

The Group's Treasury Department monitors Group's liquidity needs forecasts in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Amounts payable to credit institutions in the short term include recurring loans over time amounting to €36.0 million with financial institutions used for the management of operating working capital (€4.6 million as of 31<sup>st</sup> December 2021). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at 31<sup>st</sup> December 2022 of €677 million of undrawn credit lines and loans (31<sup>st</sup> December 2021: €725 million).

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at 31<sup>st</sup> December 2022 and 2021:

| Thousand euro                        | 31.12.2022       | 31.12.2021       |
|--------------------------------------|------------------|------------------|
| Inventories                          | 494,849          | 482,868          |
| Trade and other receivables          | 309,457          | 284,155          |
| Other current assets                 | 47,636           | 51,819           |
| Current tax assets                   | 57,311           | 60,467           |
| <b>Current operating assets</b>      | <b>909,253</b>   | <b>879,309</b>   |
| Other current financial assets       | 92,855           | 102,865          |
| Cash and other cash equivalents      | 732,053          | 658,788          |
| <b>CURRENT ASSETS</b>                | <b>1,734,161</b> | <b>1,640,962</b> |
| Trade and other payables             | 1,026,609        | 934,873          |
| Current tax liabilities              | 65,218           | 82,007           |
| Current provisions                   | 173,519          | 135,084          |
| Other current liabilities            | 176,164          | 168,346          |
| <b>Current operating liabilities</b> | <b>1,434,522</b> | <b>1,320,310</b> |
| Short-term bank borrowings           | 472,013          | 525,775          |
| Other current financial liabilities  | 140              | -                |
| <b>CURRENT LIABILITIES</b>           | <b>1,906,675</b> | <b>1,846,085</b> |
| <b>TOTAL WORKING CAPITAL</b>         | <b>(172,514)</b> | <b>(205,123)</b> |

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

During the first half of 2021, and as of 1<sup>st</sup> July 2021, the Group renewed its structural financing, negotiating the limit of existing covenants, extending the final maturity of some financing, and modifying some of the financing agents. In this way, the Group improved the conditions of its financing and, as of 31<sup>st</sup> December 2022, the Group complies with all the ratios required in its financing.

As a result of the above, it may be confirmed that there is no liquidity risk at the Group.

### c) Credit risk

Group's credit risks are managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary.

In addition, each management unit has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management historically deemed that those receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss.



## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### **d) Raw material price risk**

The Group has not a significant risk in raw price variations. In these companies where the risk could exist in market specific situations (plants which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers considering the current market conditions.

### **4.2 Hedge accounting**

The Group determines the effectiveness of the hedge at the beginning of the same and periodically through prospective reviews of its effectiveness to ensure that there is adequate coverage between the hedged risk and the hedging instrument.

The treatment and classification of the Group's hedging transactions are described below:

#### **a) Fair value hedges of a recognised asset or liability or a firm commitment**

Changes in the fair value of these derivatives are recognised in the income statement together with any change in the fair values of the assets or liabilities hedged which is attributable to the hedged risk.

#### **b) Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are removed from equity and included in the initial cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the requirements for hedge accounting, any cumulative gain or loss that remains recognised in equity remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

Occasionally, despite the goal of achieving a perfect hedge of flows, mismatches may arise between the characteristics of the hedges and the debts hedged. Once a mismatch is detected, and provided that this does not entail disproportionate costs, the derivative is fine-tuned in order to adapt it to the new characteristics of the underlying.

This circumstance may arise in the case of a hedge arranged in anticipation of a highly probable underlying which, when confirmed, requires the readjustment of the derivative to adapt it to the underlying to which it is designated. This situation may arise whether or not the derivative is designated as a hedge at inception i.e., if the underlying has been defined as a highly probable transaction.

#### **c) Net investment hedges**

As of 31<sup>st</sup> December 2022 and 2021, the Company did not have foreign resources denominated in foreign currency that were designated as hedges of the net investment. As of 31<sup>st</sup> December 2022, the Group maintained investments whose net assets were exposed to the risk of conversion into foreign currency and foreign resources denominated in dollars formalized through the company CIE Bérriz, S.L. The foreign resources denominated in dollars, which main purpose is to support the group's sustainable growth in North America. In 2022, the negative exchange difference generated by this financing, which amounted to €7,353 thousand, was recognized under the heading "Net Investment Coverage" of the Consolidated Global Income Statement; heading under "foreign currency conversion differences"(2021: €9,605 thousand).

#### **d) Derivatives that do not qualify for hedge accounting**

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

#### **e) Effectiveness testing and estimate of the fair value of hedging derivatives**

Effectiveness testing: The valuation method used by CIE Automotive Group relates to its risk management strategy. If the main terms of the hedging instrument and hedged underlying match, the changes in cash flows attributable to the hedged risk may be adequately offset.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The Group uses one of three available methods to measure the effectiveness of its hedges. The most common is the offset method (dollar offset), which is used to measure the effectiveness of cash flow hedges on both a retrospective and prospective basis.

Based on the underlying asset and the type of hedge, CIE Automotive also uses the Variance Reduction and the Linear Regression methods. The only condition is that the method applied to each hedge to measure its effectiveness must be maintained throughout the life of the hedge.

Measurement of the hedging derivative: CIE Automotive Group uses several tools to measure and manage derivative-related risk. The valuation of derivative instruments is carried out internally; these valuations are cross-checked against valuations provided by independent advisors not related to any financial institution. Professional market tools provided by platforms licensed from Reuters and Bloomberg and specialized financial analytics libraries are used for this purpose.

### 4.3 Valuation method (fair value estimation)

The regulations in force establish the information to be disclosed on valuations at fair value applicable also to non-financial assets and liabilities. Based on the provisions of Royal Decree 1/2021, of 12<sup>th</sup> January, fair value is the price that would be received for the sale of an asset or paid to transfer or cancel a liability through an orderly transaction between market participants on the valuation date.

The Company discloses the fair value estimation according to the following level hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31<sup>st</sup> December 2022 and 31<sup>st</sup> December 2021:

| <b>2022 – thousand euro</b>            | <b>Note</b> | <b>Level 2</b> | <b>Level 3</b> | <b>TOTAL</b>   |
|----------------------------------------|-------------|----------------|----------------|----------------|
| Credits at fair value                  | 7           | –              | 14,588         | 14,588         |
| Derivatives                            | 9           | 1,347          | –              | 1,347          |
| <b>Total assets at fair value</b>      |             | <b>1,347</b>   | <b>14,588</b>  | <b>15,935</b>  |
| Derivatives                            | 9           | (5,872)        | –              | (5,872)        |
| <b>Total liabilities at fair value</b> |             | <b>(5,872)</b> | <b>–</b>       | <b>(5,872)</b> |
| <b>2021 – thousand euro</b>            | <b>Note</b> | <b>Level 2</b> | <b>Level 3</b> | <b>TOTAL</b>   |
| Credits at fair value                  | 7           | –              | 20,465         | 20,465         |
| Derivatives                            | 9           | 4,541          | –              | 4,541          |
| <b>Total assets at fair value</b>      |             | <b>4,541</b>   | <b>20,465</b>  | <b>25,006</b>  |

There were no transfers between levels during 2022 and 2021.

#### a) Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at each balance sheet date. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in Level 2.

Specific financial instrument valuation techniques include:

- i) Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
- ii) Fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

- iii) It is assumed that the carrying amount of trade receivables and payables is similar to their fair value.
- iv) The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The instruments included in Level 2 relate to financial instruments derivatives (Note 9).

### b) Level 3 financial instruments

If one or more of the significant inputs are not based on data observable in the market, the financial instrument is included in Level 3.

As of 31<sup>st</sup> December 2022, there are loans granted to Group employees valued at fair value and amounting to €14,588 thousand (2021: €20,465 thousand) (Note 6.5).

The Company has not agreements for the offset of financial assets and liabilities

### 4.4 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital used. Net debt is calculated as total borrowings plus financial liabilities less cash, cash equivalents and financial assets, all of which are shown in the Consolidated Annual Accounts. Total capital employed is calculated as 'equity', as shown in the Consolidated Annual Accounts, plus net debt.

The Group's strategy, as in previous years, has been to maintain a leverage rate close to 0.50.

The gearing ratios at 31<sup>st</sup> December 2022 and 2021 are as follows:

| Thousand euro                                        | 2022             | 2021             |
|------------------------------------------------------|------------------|------------------|
| Borrowings                                           | 2,141,122        | 2,179,853        |
| Financial liabilities                                | 6,012            | -                |
| Less: Cash and cash equivalents and financial assets | (857,336)        | (784,923)        |
| <b>Net financial debt</b>                            | <b>1,289,798</b> | <b>1,394,930</b> |
| Equity                                               | 1,504,649        | 1,367,622        |
| <b>Total capital used</b>                            | <b>2,794,447</b> | <b>2,762,552</b> |
| <b>Gearing ratio</b>                                 | <b>0.46</b>      | <b>0.50</b>      |

At 31<sup>st</sup> December 2022 and 2021, the Group has agreements formalised related with credit and bank loans that oblige it to comply with certain covenants.

During the first half of 2021, and with an application date of 1<sup>st</sup> July 2021, the Group novated its structural financing, negotiating the limits of existing "covenants", extending the final maturity of some financing, and modifying some of the financing agents. In this way, the Group improved the conditions of its financing and, as of 31<sup>st</sup> December 2022, the Group complies with all the ratios required in its financing.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### 4.5 Climate risk factors

Recent years have highlighted the risks underlying climate change, and the potential impact they may have on financial statements. As a consequence of the holding nature of the Company, climate risk is directly related to the impact on its operating subsidiaries and the cash flows expected to be obtained from them.

The Corporate Department of Environment is responsible for establishing the guidelines and coordinating the actions of the Environmental Plan for plants, gradually integrating environmental criteria in the management of all processes, in its attempt to reduce their impacts on the environment.

In this sense, the Group had updated its Environment Policy in 2021, where it was recognized as aligned with the Sustainable Development Goals. Thus, the Group develops products and processes under eco-design concepts, oriented to efficiency, providing necessary resources in continuous improvement through prevention and preservation, the minimization of risks, the reduction of the environmental footprint, the efficient use of natural resources, the minimization of waste, the circularity of materials and the collaboration of the people involved in the processes. Moreover, the Group is aligned with the United Nations 2030 Agenda by establishing environmental objectives to be met by each of the plants and regions where it operates, based on the *Global Reporting Initiative* standards.

Additionally, in December 2022, the Board of Directors of the Company took another step in its environmental strategy by approving a new roadmap that establishes new medium- and long-term objectives, consistent with what scientific experts and the Paris agreements dictate, and limiting global warming to 1.5°C above pre-industrial levels. Thus, the climate emergency has led the Group to continue strengthening its commitment to climate neutrality by joining the SBTi initiative and setting the clear objective of achieving emissions neutrality no later than 2050.

Below are the action plans established to address each of the climate-related risks that have an impact on the financial statements from its subsidiaries and thus, on the Annual Accounts of the Company.

#### The risks arising from the transition to low-carbon economies

The authorities and governments of different countries have implemented policies to fight against climate change that have affected differently in the different countries where the Group operates. Some of these policies have consisted of promoting sustainable energy consumption in industrial production through fiscal and operational incentives, while in other cases, the use of energies that have a direct impact on the climate has been penalized or stopped.

Regarding the automotive industry, it has been possible to reduce polluting emissions from vehicles, although the latest regulations to fight climate change – the most restrictive in Europe and China – are forcing manufacturers and their suppliers to implement additional solutions to reduce their environmental footprint. In recent years, the Group has been adapting its production process as well as the goods produced to a changing environment, demonstrating its ability to be prepared for the challenges offered by climate change risk.

The Group aims to anticipate the aforementioned measures, having launched certain action plans that allow mitigating in advance the impact of new policies, regulations and trends that climate change has entailed. The lines of work established for this have been the following, and have as main axes the actions on the goods produced and actions on their productive process.

#### - Goods

In the context of a changing environment and increasingly aware of the effects of global climate change, the Group has been adapting the sale of its assets to new challenges in the climate and environmental field, and they are directly related to the latest trends in the automotive sector. In this sense, the Group is immersed in a technological transformation, aimed at reducing its corporate footprint, as well as the goods it produces. To achieve these objectives, the Group develops different technologies that provide the efficiency and flexibility necessary to face all challenges with changing volumes and scenarios.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

Technological diversity also allows to focus investments on those technologies most demanded by the market in each circumstance. Currently, the market is betting on the electrification of vehicles and more than 80% of the components and subassemblies produced by the Group can be used in any type of vehicle (combustion, electric, hybrid). Despite this considerable percentage of versatility in the goods it produces, the Group has proposed to take advantage of the opportunity offered by the decarbonization of transport to position itself in new products of high added value. These products are related to the engine and power electronics, gearboxes and batteries.

This commitment to batteries has materialized in the investment made by the Group in the company Basquevolt, S.A. with an initial investment of €1.5 million.

Additionally, the Group's technological commitment to meet these environmental objectives focuses on the Eco-efficiency and circularity, the lightweighting of vehicles, the improvement of the user experience (noise reduction, light integration, ...), electric and autonomous vehicles and Industry 4.0 as a key to competitiveness and eco-efficiency, always aiming at the path towards the decarbonization of transport.

These actions are naturally linked to the reduction of environmental impact and mitigation of climate change. For those products that do not yet have a clear substitute in zero-emission vehicles, the Group has defined a strategy with different action plans.

Thus, the Group's spirit of adaptation and flexibility in the products it markets, together with the ability to always be aligned with new market trends, are the Group's main measure to address any market risks to its goods, as well as those that may arise from the transition to low-carbon economies.

### - Actions on the productive process

The environmental actions on the production process for the realization of the goods sold to the market have been the following:

- a) *Environmental Investments*: the Group adapts its production facilities to the conditions required by the environmental legislation of the countries where it is located. Consequently, the Group makes investments aimed at minimizing environmental impact, protecting and improving the environment; and incurs expenses derived from environmental actions, which basically correspond to the ordinary expenses for the removal of waste, consulting, measurements and environmental certifications.  
The adaptation and incorporation of investments that meet the most current environmental requirements implies a direct mitigation of the risk derived from the transition to low-carbon economies in the recovery of the value of their productive assets.
- b) *Energetic efficiency*: the improvement of energy efficiency is a priority objective for the Group, since it contributes to reducing its environmental impact, in addition to implying a direct improvement in competitiveness. The main lines of action consist of energy saving, and emission control. In this line, the Group contracts clean energy for the operation of its facilities wherever this option is available; and with the same philosophy of reducing their emissions and their energy bill, photovoltaic panels have been installed in different facilities in Europe, where, in addition, in 2022 new contracts have been signed for the supply of green energy for own consumption starting 2023; and India, where investment in new solar power plants has continued (Note 9).  
In this sense, it is expected that the action plans carried out by the Group in terms of efficiency will mean, in the medium and long term, an improvement in the margin on the goods it produces.
- c) *Water and material consumption*: in the Group's production process, an intensive use of water is carried out. In order to reduce discharges as much as possible, it has its own systems and facilities for water treatment, recirculation and recovery. With regard to raw materials, the Group constantly reviews all processes to make responsible use of raw materials. An example of these practices is the reduction of the gross weight of the products it manufactures, and that implies the reduction of the consumption of energy and other products necessary for the production process.  
As in the case of energy efficiency action plans, it is estimated that these actions will also improve the margins of the goods produced.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

- d) *Pollution control and waste management*: the Group's environmental management systems are based on the ISO14001 standard, and ensure that pollution does not exceed the levels established by current regulations. On the other hand, the Group's recycling system allows the reincorporation of recycled raw materials into its production process. Those materials that cannot be recycled are collected by specialized managers who prioritize their recycling over their landfill.

All of these action plans and expected results have been included for each plant in the projections used for the investment impairment assessment described in Note 7.

### The risk of the impact on the margins of adaptation to low-carbon economies

Cost pressure can occur on car producers. During the deployment phase of more sustainable vehicles, the final cost will be higher and, to maintain sales volumes, there is a risk of increased cost pressure on component suppliers.

Faced with this type of scenarios and risks, the Group's model is very effective. Commercial diversification makes dependence on a project or its renovation low, so the freedom to invest in projects is key. To this is added another of the axes of the group, the investment discipline, which leads to a detailed analysis of the projects with volume sensitivity analysis, avoiding those projects with volumes lower than those initially announced have a definitive impact on the returns of the projects.

### The direct physical risk posed by climate change in the production process and operations of a business

As of 31<sup>st</sup> December 2022 and 2021, the Group's production facilities, as well as the customers to which it provides, were not located in areas or geographical areas where an imminent climate risk is foreseen.

However, the Group is aware of the unpredictability of the effects of climate change and monitors the impacts that any adverse circumstance may generate in the valuation of the Group's assets, and therefore, in its Consolidated Financial Statements. In this sense, the Group is exposed to physical risks whose possible impacts it manages depending on the typology of each of them:

- a) *Water stress risks*: are the risks that can result in the lack of water supply.
- b) *Acute physical risks*: are the risks arising from the occurrence of acute climatic phenomena. These accidental risks are covered by the global Civil Liability policy. To strengthen the management of environmental and safety risks, the Group has initiated a collaboration project with the technical departments of its insurance companies, where risks are evaluated and monetized and an elimination plan is established, or where appropriate, mitigation.
- c) *Chronic physical risks*: they are risks that cause gradual changes with more lasting impact, such as rising average temperatures, rising sea levels or prolonged periods of heat.  
Although the Group's production facilities are not directly threatened by the effect of these chronic physical risks, there are environmental objectives established to be met in all the plants and regions where it operates.
- d) *Protection of biodiversity*: due to the location of its production facilities, mostly in industrial estates, the impact of its activities on biodiversity is not considered significant.

In this sense, for the assumptions used in the analysis of impairment of investments described in Note 7, the Company has considered macroeconomic variables that already take into account, implicitly, the impacts that climate change may have in each of the geographies where it operates. The growth rates, discount rates and risk rates used are market ratios that implicitly also reflect the valuation of climate risk. These rates do not show significant differences with those used in previous years. Due to the very nature of the activity, it is considered that there is no material impact of the risk of climate change that implies an indication of deterioration, for any of the Group subsidiaries.

Likewise, based on the foregoing, it is not expected that there will be substantial changes in the Group's future estimates (provisions, changes in useful lives, etc.) nor significant impacts on the recovery analysis of non-financial assets taking into account that they have already been incorporated into the Group's business plans.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

### 5. Intangible assets

The movement schedule in intangible assets during the period is as follows:

|                                                 | Computer applications | Patents      | Goodwill        | Total           |
|-------------------------------------------------|-----------------------|--------------|-----------------|-----------------|
| <b>Cost</b>                                     |                       |              |                 |                 |
| <b>Balance at 1<sup>st</sup> January 2021</b>   | <b>19,657</b>         | <b>1,000</b> | <b>27,718</b>   | <b>48,375</b>   |
| Additions                                       | 1,158                 | -            | -               | 1,158           |
| <b>Balance at 31<sup>st</sup> December 2021</b> | <b>20,815</b>         | <b>1,000</b> | <b>27,718</b>   | <b>49,533</b>   |
| Additions                                       | 678                   | -            | -               | 678             |
| <b>Balance at 31<sup>st</sup> December 2022</b> | <b>21,493</b>         | <b>1,000</b> | <b>27,718</b>   | <b>50,211</b>   |
| <b>Accumulated amortization</b>                 |                       |              |                 |                 |
| <b>Balance at 1<sup>st</sup> January 2021</b>   | <b>(17,402)</b>       | <b>(300)</b> | <b>(13,860)</b> | <b>(31,562)</b> |
| Additions                                       | (618)                 | (100)        | (2,772)         | (3,490)         |
| <b>Balance at 31<sup>st</sup> December 2021</b> | <b>(18,020)</b>       | <b>(400)</b> | <b>(16,632)</b> | <b>(35,052)</b> |
| Additions                                       | (744)                 | (100)        | (2,772)         | (3,616)         |
| <b>Balance at 31<sup>st</sup> December 2022</b> | <b>(18,764)</b>       | <b>(500)</b> | <b>(19,404)</b> | <b>(38,668)</b> |
| <b>Carrying amount</b>                          |                       |              |                 |                 |
| <b>Balance at 1<sup>st</sup> January 2021</b>   | <b>2,255</b>          | <b>700</b>   | <b>13,858</b>   | <b>16,813</b>   |
| <b>Balance at 31<sup>st</sup> December 2021</b> | <b>2,795</b>          | <b>600</b>   | <b>11,086</b>   | <b>14,481</b>   |
| <b>Balance at 31<sup>st</sup> December 2022</b> | <b>2,729</b>          | <b>500</b>   | <b>8,314</b>    | <b>11,543</b>   |

#### a) Goodwill

The goodwill arose in 2011 as a result of the reverse merger between the Company and its parent INSSEC.

The goodwill is allocated to the Company's cash-generating units (CGUs) groups by management unit and operating market. Goodwill is allocated to the Brazilian and European operations as was the case at INSSEC.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by Management covering normally a five-year period. Cash flows beyond this five-year period are extrapolated using estimated growth rates. Note 7.c) details the key assumptions used to calculate the value in use of the various CGUs groups in a manner that is consistent with the overall situation of CIE Automotive Group's operating markets as well as the businesses' projected performance.

CIE Automotive Group has verified that neither its goodwill nor its investments in group companies (Note 7) suffered any impairment loss in either 2022 or 2021.

#### b) Fully-amortised intangible assets

At 31<sup>st</sup> December 2022 there are fully-amortised items of intangible assets with an historic cost of €17.0 million (2021: €16.3 million).

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

### 6. Analysis of financial instruments

#### 6.1 Analysis by category

The carrying amounts of the Company's financial instruments by each category of financial assets and liabilities, which does not include balances with public administrations, are as follows:

| Financial assets in thousands of euros      | At cost          |                  | At amortised cost |                  | At fair value with changes in profit and loss |               | Others        |               |
|---------------------------------------------|------------------|------------------|-------------------|------------------|-----------------------------------------------|---------------|---------------|---------------|
|                                             | 2022             | 2021             | 2022              | 2021             | 2022                                          | 2021          | 2022          | 2021          |
| <i>Non-current</i>                          |                  |                  |                   |                  |                                               |               |               |               |
| - Balances with group companies             |                  |                  |                   |                  |                                               |               |               |               |
| Investments in group companies (Note 7.a)   | 1,090,467        | 1,090,467        | -                 | -                | -                                             | -             | -             | -             |
| Credits to group companies (Note 7.d)       | -                | -                | 1,209,983         | 1,238,090        | -                                             | -             | -             | -             |
| - Other investments (Note 6.4)              | 81               | 81               | -                 | -                | -                                             | -             | -             | -             |
| - Credits to third parties (Note 6.5)       | -                | -                | 5,200             | 6,500            | 14,588                                        | -             | -             | -             |
| - Derivatives (Note 9)                      | -                | -                | -                 | -                | -                                             | 4,541         | -             | -             |
| - Other financial assets                    | -                | -                | 25                | 33               | -                                             | -             | -             | -             |
| <b>TOTAL</b>                                | <b>1,090,548</b> | <b>1,090,548</b> | <b>1,215,208</b>  | <b>1,244,623</b> | <b>14,588</b>                                 | <b>4,541</b>  | <b>-</b>      | <b>-</b>      |
| <i>Current</i>                              |                  |                  |                   |                  |                                               |               |               |               |
| - Trade and other receivables (Note 8)      | -                | -                | 22,351            | 17,622           | -                                             | -             | -             | -             |
| - Credits to group companies (Note 7.d)     | -                | -                | 24,676            | 17,974           | -                                             | -             | -             | -             |
| - Credits to third parties (Note 6.5)       | -                | -                | 1,300             | 1,402            | -                                             | 20,465        | -             | -             |
| - Derivatives (Note 9)                      | -                | -                | -                 | -                | 1,347                                         | -             | -             | -             |
| - Other financial assets (Note 6.6)         | -                | -                | 16,811            | 16,812           | -                                             | -             | -             | -             |
| - Cash and other cash equivalents (Note 10) | -                | -                | -                 | -                | -                                             | -             | 31,202        | 30,959        |
| <b>TOTAL</b>                                | <b>-</b>         | <b>-</b>         | <b>65,138</b>     | <b>53,810</b>    | <b>1,347</b>                                  | <b>20,465</b> | <b>31,202</b> | <b>30,959</b> |

| Financial liabilities in thousands of euros                      | At amortised cost |                  | At fair value with changes in profit and loss |          |
|------------------------------------------------------------------|-------------------|------------------|-----------------------------------------------|----------|
|                                                                  | 2022              | 2021             | 2022                                          | 2021     |
| <i>Non-current</i>                                               |                   |                  |                                               |          |
| - Borrowings received (Note 14)                                  | 1,470,648         | 1,394,633        | -                                             | -        |
| - Other non-current financial liabilities (Derivatives) (Note 9) | -                 | -                | 5,872                                         | -        |
| - Borrowings from group companies (Note 14)                      | 175,075           | 153,107          | -                                             | -        |
| - Other debts (Note 14)                                          | 50,025            | 49,994           | -                                             | -        |
| <b>TOTAL</b>                                                     | <b>1,695,748</b>  | <b>1,597,734</b> | <b>5,872</b>                                  | <b>-</b> |
| <i>Current</i>                                                   |                   |                  |                                               |          |
| - Borrowings received (Note 14)                                  | 130,738           | 70,267           | -                                             | -        |
| - Commercial paper program (Note 14)                             | 196,900           | 360,750          | -                                             | -        |
| - Borrowings from group companies (Note 14)                      | 7,846             | 8,659            | -                                             | -        |
| - Trade and other payables (Note 14)                             | 74,853            | 59,381           | -                                             | -        |
| <b>TOTAL</b>                                                     | <b>410,337</b>    | <b>499,057</b>   | <b>-</b>                                      | <b>-</b> |

#### 6.2 Classification by maturity

The maturity schedule for financial instruments having fixed or determinable maturities is as follows:

|                                                       | Financial assets |          |          |          |          | Subsequent years | Total            |
|-------------------------------------------------------|------------------|----------|----------|----------|----------|------------------|------------------|
|                                                       | 2023             | 2024     | 2025     | 2026     | 2027     |                  |                  |
| <b>Investments in group companies and associates:</b> |                  |          |          |          |          |                  |                  |
| Credits to group companies <sup>(1)</sup>             | 24,676           | -        | -        | -        | -        | 1,209,983        | 1,234,659        |
| <b>Other financial investments:</b>                   |                  |          |          |          |          |                  |                  |
| Trade and other receivables                           | 22,351           | -        | -        | -        | -        | -                | 22,351           |
| Credits to third parties                              | 1,300            | -        | -        | -        | -        | 5,200            | 6,500            |
| Derivatives                                           | 1,347            | -        | -        | -        | -        | -                | 1,347            |
| Other financial assets                                | 16,811           | -        | -        | -        | -        | 25               | 16,836           |
| <b>TOTAL</b>                                          | <b>66,485</b>    | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>1,215,208</b> | <b>1,281,693</b> |



## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

|                                                       | Financial liabilities |                |                |                |                |                  | Total            |
|-------------------------------------------------------|-----------------------|----------------|----------------|----------------|----------------|------------------|------------------|
|                                                       | 2024                  | 2024           | 2025           | 2026           | 2027           | Subsequent years |                  |
| <b>Borrowings from group companies and associates</b> | 7,846                 | -              | -              | -              | -              | 175,075          | 182,921          |
| <b>Other financial liabilities:</b>                   |                       |                |                |                |                |                  |                  |
| Bank borrowings                                       | 130,738               | 588,366        | 201,185        | 173,742        | 368,462        | 138,893          | 1,602,386        |
| Commercial paper program                              | 196,900               | -              | -              | -              | -              | -                | 196,900          |
| Derivatives                                           | -                     | -              | -              | -              | 5,872          | -                | 5,872            |
| Other liabilities                                     | -                     | -              | 1,575          | 7,500          | 13,145         | 27,805           | 50,025           |
| Trade and other payables                              | 74,853                | -              | -              | -              | -              | -                | 76,758           |
| <b>TOTAL</b>                                          | <b>410,337</b>        | <b>588,366</b> | <b>202,760</b> | <b>181,242</b> | <b>387,479</b> | <b>341,773</b>   | <b>2,114,862</b> |

(\*) The long-term loans extended to group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed one year before its maturity for additional periods of one year unless it exists a previous cancellation one year before the established maturity (Note 7.d).

### 6.3 Credit quality of financial assets

Financial assets that have not expired are not impaired. Management perceives no risk of impairment whatsoever as the Company's financial assets mainly relate to balances due from CIE Automotive group companies and associates that present no indications of credit risk.

### 6.4 Other investments

The Company at 31<sup>st</sup> December 2022 and 2021 has under this heading the investment in Fundación CIE I+D+I as Funding Trustee, having given an initial (and unchanged) endowment of €60 thousand.

### 6.5 Credits to third parties

|                                          | Balante       | Profit/(Loss) |            |                | Balance at    | Profit/(Loss) |                |                | Balance       |
|------------------------------------------|---------------|---------------|------------|----------------|---------------|---------------|----------------|----------------|---------------|
|                                          | at 01.01.21   | Additions     | adjustment | (Collections)  | 31.12.21      | Additions     | adjustment     | (Collections)  | at 31.12.22   |
| Credits to employees (Notes 17.b and 24) | 22,947        | -             | 303        | (2,785)        | 20,465        | -             | (2,225)        | (3,652)        | 14,588        |
| Advances (Note 25.a)                     | 9,100         | -             | -          | (1,300)        | 7,800         | -             | -              | (1,300)        | 6,500         |
| Other                                    | 102           | -             | -          | -              | 102           | -             | (102)          | -              | -             |
| <b>TOTAL</b>                             | <b>32,149</b> | <b>-</b>      | <b>303</b> | <b>(4,085)</b> | <b>28,367</b> | <b>-</b>      | <b>(2,327)</b> | <b>(4,952)</b> | <b>21,088</b> |

### 6.6 Other current financial assets

The Company records an account receivable with possibility of immediate availability with INSSEC DOS which balance at 31<sup>st</sup> December 2022 and 2021 stood at €16,800 thousand.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

### 7. Investments and credits to group companies

#### a) Investments in group companies, jointly-controlled entities and associates

The main group companies owned directly by the Company (not listed) are as follows:

| Name and registered office                        | Legal structure | Activity                             | % of total voting rights held directly |      |
|---------------------------------------------------|-----------------|--------------------------------------|----------------------------------------|------|
|                                                   |                 |                                      | 2022                                   | 2021 |
| Group companies and jointly-controlled entities   |                 |                                      |                                        |      |
| CIE Berriz, S.L. (Bizkaia)                        | S.L.            | Holding company                      | 100%                                   | 100% |
| CIE Automotive Boroa, S.L.U. (Bizkaia)            | S.L.U.          | Holding company                      | 100%                                   | 100% |
| CIE Roof Systems, S.L.U. (Bizkaia)                | S.L.U.          | Holding company                      | 100%                                   | 100% |
| Autokomp Ingeniería, S.A.U. (Bizkaia)             | S.A.U.          | Services and installations           | 100%                                   | 100% |
| Advanced Comfort Systems Ibérica, S.L.U. (Orense) | S.L.U.          | Manufacture of automotive components | 100%                                   | 100% |
| Advanced Comfort Systems France, S.A.S. (France)  | S.A.S.          | Manufacture of automotive components | 100%                                   | 100% |
| CIE Automotive Roof systems Korea Limited         | Ltd             | Manufacture of automotive components | 100%                                   | 100% |

The amounts of capital, reserves and profit for the year and other relevant information, as taken from the individual annual accounts of the respective group companies and jointly controlled entities, at 31<sup>st</sup> December 2022 and 2021, are as follows:

|                                           | Equity  |               |          |                  |                  |                            |                       | Dividends received (Note 25) |
|-------------------------------------------|---------|---------------|----------|------------------|------------------|----------------------------|-----------------------|------------------------------|
| Company                                   | Capital | Share premium | Reserves | Interim dividend | Operating profit | Profit/(loss) for the year | Investment book value |                              |
| 2022:                                     |         |               |          |                  |                  |                            |                       |                              |
| CIE Berriz, S.L.                          | 60,101  | -             | 256,133  | -                | 25,853           | 1,483                      | 251,874               | 8,000                        |
| Advanced Comfort Systems Ibérica, S.L.U.  | 450     | 2,803         | 3,002    | -                | 755              | 624                        | 8,528                 | 525                          |
| Advanced Comfort Systems France, S.A.S.   | 3,100   | -             | 30,690   | -                | 1,100            | 1,084                      | 57,132                | -                            |
| Autokomp Ingeniería, S.A.U.               | 180     | -             | 157      | (4,500)          | 7,098            | 5,957                      | 4,804                 | 6,816                        |
| CIE Automotive Boroa, S.L.U.              | 368,535 | 368,525       | 2,511    | (10,500)         | 18,533           | 14,084                     | 737,060               | 11,119                       |
| CIE Roof Systems, S.L.U.                  | 10      | -             | (14,868) | (52,000)         | 123,982          | 103,546                    | 30,996                | 52,000                       |
| CIE Automotive Roof Systems Korea Limited | 73      | -             | -        | -                | (3)              | (3)                        | 73                    | -                            |
| TOTAL                                     |         |               |          |                  |                  |                            | 1,090,467             | 78,460                       |
| 2021:                                     |         |               |          |                  |                  |                            |                       |                              |
| CIE Berriz, S.L.                          | 60,101  | -             | 238,537  | -                | 47,422           | 25,626                     | 251,874               | 36,000                       |
| Advanced Comfort Systems Ibérica, S.L.U.  | 450     | 2,803         | 3,000    | -                | 630              | 527                        | 8,528                 | 655                          |
| Advanced Comfort Systems France, S.A.S.   | 3,100   | -             | 29,832   | -                | 201              | 366                        | 57,132                | -                            |
| Autokomp Ingeniería, S.A.U.               | 180     | -             | 158      | (9,000)          | 12,398           | 11,318                     | 4,804                 | 9,000                        |
| CIE Automotive Boroa, S.L.U.              | 368,535 | 368,525       | 1,553    | (8,000)          | 12,597           | 9,576                      | 737,060               | 15,645                       |
| CIE Roof Systems, S.L.U.                  | 10      | -             | 19,494   | -                | 1,993            | (8,757)                    | 30,996                | -                            |
| CIE Automotive Roof Systems Korea Limited | 73      | -             | -        | -                | (5)              | (5)                        | 73                    | -                            |
| TOTAL                                     |         |               |          |                  |                  |                            | 1,090,467             | 61,300                       |

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

### b) Movements in investments in CIE Automotive group companies

The movements in 2022 and 2021 are summarized below:

|                                           | Balance at<br>01.01.21 | Additions/<br>(Disposals) | Balance at<br>31.12.21 | Additions/<br>(Disposals) | Balance at<br>31.12.22 |
|-------------------------------------------|------------------------|---------------------------|------------------------|---------------------------|------------------------|
| CIE Berriz, S.L.                          | 251,874                | -                         | 251,874                | -                         | 251,874                |
| Autokomp Ingeniería, S.A.U.               | 4,804                  | -                         | 4,804                  | -                         | 4,804                  |
| Advanced Comfort Systems Ibérica, S.L.U.  | 8,528                  | -                         | 8,528                  | -                         | 8,528                  |
| Advanced Comfort Systems France, S.A.S.   | 57,132                 | -                         | 57,132                 | -                         | 57,132                 |
| CIE Automotive Boroa, S.L.U.              | 737,060                | -                         | 737,060                | -                         | 737,060                |
| CIE Roof Systems, S.L.U.                  | 15,996                 | 15,000                    | 30,996                 | -                         | 30,996                 |
| CIE Automotive Roof Systems Korea Limited | -                      | 73                        | 73                     | -                         | 73                     |
| <b>TOTAL</b>                              | <b>1,075,394</b>       | <b>15,073</b>             | <b>1,090,467</b>       |                           | <b>1,090,467</b>       |

### German forging business

On 14<sup>th</sup> December 2022, the Board of Directors of Mahindra CIE Automotive, Ltd. made the decision to put the German forging business up for sale, corresponding to the company CIE Forging Germany GmbH (previously called Mahindra Forgings Europe AG) and its subsidiaries after receiving offers from potential buyers of this business. Both Mahindra CIE Automotive, Ltd. and CIE Forging Europe, GmbH are subsidiaries indirectly owned by CIE Berriz, S.L.U. As of 31<sup>st</sup> December 2022, the Group was still negotiating the sale of this subgroup.

Following this decision, the Group has reclassified, in its Consolidated Annual Accounts, the assets and liabilities associated with said business as a group of assets and liabilities held for sale, reclassifying the income statement of all business companies to discontinued operations. It has also proceeded to adjust the fair value of the net assets of CIE Forging Germany, GmbH to their realizable value.

The Company has taken this new scenario into account when preparing its Annual Accounts, and has not identified any valuation adjustment to be included on its direct subsidiary CIE Berriz, S.L.U.

### Movement in investment in group companies

Additions for the year 2021 corresponded to the new investment in the company CIE Automotive Roof systems Korea Limited, S.L.U. and the contribution from partners made in the company CIE Roof Systems, S.L.U.

### c) Analysis of impairment of investments in group companies and associates

#### *c.1 Application methodology*

The impairment analysis of each investment held by the Company is carried out individually both at the level of the Company itself and at lower levels. In the case of investee companies whose activity is the holding of the Group's subsidiaries, their value in use is determined by adding the value in use of their shares, since an individualized value in use of the same does not. It would, in no case, reflect your economic reality. The value in use of each of its direct investees is understood as the present value of the future cash flows derived from each investment and its corresponding subsidiaries, reduced by the net financial debt contributed by each of the participations (equity value).

#### *c.2 Assumptions used*

#### Sales projection and margins

Sales estimates are made at the level of each CGU and below it, at the level of each project, taking into account the confirmed purchase orders at the time of the budget, the portfolio of the different customers for each project, the estimated production units for ongoing projects in the forecasted period and future projects for which the Group has already been nominated.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The gross operating margin (EBITDA) applied to forecasted sales are estimated based on the current profitability of the contracts in production corrected, if applicable, for adjustments, positive or negative, in future profitability already known at the time of preparation of the forecast; as well as expected future returns from each of the projects which production has not started.

The average<sup>(\*)</sup> of the margins projected for the aggregated cash flows for each of the following subsidiaries through the period of the projections has been as follows:

| Companies                                | 2022   | 2021   |
|------------------------------------------|--------|--------|
| CIE Berriz, S.L.                         | 19.52% | 19.25% |
| Autokomp Ingeniería, S.A.U.              | 18.57% | 17.79% |
| Advanced Comfort Systems Ibérica, S.L.U. | 8.50%  | 9.24%  |
| Advanced Comfort Systems France, S.A.S.  | 18.81% | 17.26% |
| CIE Roof Systems, S.L.U.                 | 15.83% | 16.33% |

<sup>(\*)</sup> The average of the detailed margins is the result of dividing the sum of the gross operating profits (EBITDA) by the sum of the sales of the years that make up the projection period.

The company CIE Automotive Boroa, S.L.U., incorporated in 2019, has as its activity the financing of different companies of the Group, without it having any subsidiary; and the recovery of the cost of this holding is directly related to the flows generated by the Group companies to which it has granted financing. In addition, at 31<sup>st</sup> December 2022 and 2021, the equity value of the same exceeds the cost of the participation that the Company has recognized.

### Calculation of residual value

The residual value is calculated by applying the "normalized annual cash flow", which is made up of the EBITDA of the last year of the budget, minus the maintenance investments necessary to keep the activity at each plant (in the case of the Group it amounts between 2% and 4% of revenue depending on the region and technology); discounted by the normalized payment of taxes in the face of a future recurrence according to the tax situation of each of the tax territories.

### Annual growth rate

The growth rates (g) used for the period beyond the projections used in 2022 and 2021 in the CGUs and groups of CGUs, which are reported by segment, have been as follows:

|                     | 2022      | 2021       |
|---------------------|-----------|------------|
| North America       | 2.5%      | 2.0%-2.3%  |
| Brazil              | 5.0%      | 4.5%       |
| Asia                | 4.5%-7.5% | 4.4%-7.5%  |
| Mahindra CIE Europe | 2.25%     | 1.5%       |
| Rest of Europe      | 2.25%     | 1.5% -3.9% |

The Company estimates the growth rate for each of the cash-generating units based on macroeconomic data related to inflation and growth in the economies of each of the countries where it operates, considering these as the main measurement factors for estimating the growth rate in current valuation models, due to the direct relationship between macroeconomic growth and the sale of vehicles.

### Discount rate

The pre-tax discount rate was determined on the basis of the weighted average cost of capital (WACC) plus a premium to reflect the tax effect. The WACC was determined using the Capital Asset Pricing Model (CAPM), which is widely used for discount rate calculation purposes.

The methodology for calculating the discount rate consists of adding to the risk-free rate of each market the specific risks of the assets assigned to each of the cash generating units.

The risk-free rate corresponds to the 10-year Treasury in the market in question. In the case of countries with economies or currencies with doubtful solvency levels, the Group carries out an estimate of its own risk applicable to each country.

The specific risk premium assigned to the Group's assets corresponds to the specific risks of the Automotive business itself, for which an estimated beta is used, based on the betas assigned to comparable companies or groups of companies.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The discount rates applied to cash flow projections were as follows:

|                 | 2022         | 2021           |
|-----------------|--------------|----------------|
| North America   | 6.93%-11.65% | 5.78% - 10.09% |
| Brazil          | 14.58%       | 12.28%         |
| Asia            | 6.74%-10.38% | 6.65% - 10.58% |
| Mahindra Europe | 6.11%-7.47%  | 4.65% - 5.63%  |
| Rest of Europe  | 6.03%-7.47%  | 4.62% - 11.70% |

### c.3 Results of the impairment test

The impairment analysis carried out has not reflected any indication of impairment for investments in group companies and associates as of 31<sup>st</sup> December 2022 and 2021. For those investments in group companies whose equity value is lower than the net book value recorded, the Group has verified that there is sufficient margin for their recoverability.

### d) Credits to CIE Automotive Group companies

The loans extended to CIE Automotive Group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional successive or equal periods of 5 years. They accrue interest at market rates. Cancellation of the loans must be notified by the parties with one year's notice, which is why €1,209,983 thousand is recognized as non-current loans at the 2022 year-end (2021: €1,238,090 thousand) (Note 6).

These receivable balances and those payable (Note 14) arise mainly from the Company's role as a financing centre for Group companies.

The opening balance of current loans to group companies includes the interest due on these credit accounts as well as income tax due from CIE Automotive Group companies under the consolidated tax regime in an aggregate amount of €24,676 thousand (2021: €17,974 thousand) (Note 6).

The detail of the non-current credits to other group companies at 31<sup>st</sup> December 2022 and 2021 is as follows:

|                                                       | 2022             | 2021             |
|-------------------------------------------------------|------------------|------------------|
| Alcasting Legutiano, S.L.U.                           | 3,195            | 5,010            |
| Autokomp Ingeniería, S.A.U.                           | 63,425           | 63,338           |
| CIE Legazpi, S.A.U.                                   | 2,577            | 11,063           |
| CIE Berriz, S.L.                                      | 930,907          | 946,094          |
| CIE Automotive Goiaín, S.L.U.                         | 17,610           | 17,609           |
| CIE Mecauto, S.A.U.                                   | 3,457            | 6,567            |
| CIE Praga Louny, a.s.                                 | -                | 15               |
| CIE Galfor, S.A.U.                                    | -                | 1,221            |
| Participaciones Internacionales Autometal Dos, S.L.U. | 155,348          | 144,418          |
| Componentes de Automoción Recytec, S.L.U.             | 16,381           | 20,000           |
| Egaña 2, S.L.                                         | 2,414            | 5,120            |
| CIE Metal CZ, s.r.o.                                  | 9,349            | 10,665           |
| Other                                                 | 5,320            | 6,970            |
| <b>TOTAL</b>                                          | <b>1,209,983</b> | <b>1,238,090</b> |

## 8. Trade and Other receivables

|                                                   | 2022          | 2021          |
|---------------------------------------------------|---------------|---------------|
| - Receivables from group companies and associates | 22,309        | 17,610        |
| - Other receivables                               | 42            | 12            |
| <b>TOTAL</b>                                      | <b>22,351</b> | <b>17,622</b> |

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The balances recognised as receivable from CIE Automotive Group companies reflect balances from certain subsidiaries that do not have a credit account with the parent are as follows:

|                                                    | 2022          | 2021          |
|----------------------------------------------------|---------------|---------------|
| Machine, Tool and Gears, Inc.                      | 1,953         | 40            |
| Pintura, Estampado y Montaje, S.A.P.I. de C.V.     | 2,888         | 2,552         |
| Pintura y Ensamblados de México, S.A. de C.V.      | 694           | 896           |
| Forjas de Celaya, S.A. de C.V.                     | 865           | 351           |
| CIE Celaya, S.A.P.I. de C.V.                       | 2,110         | 1,826         |
| Automotive Mexico Body Systems, S. de R.L. de C.V. | 1,858         | 945           |
| Advanced Comfort Systems Shanghai Co. Ltd.         | 1,464         | 992           |
| Autometal, S.A.                                    | 297           | 425           |
| Metalúrgica Nakayone, Ltda.                        | 127           | 852           |
| Nugar, S.A. de C.V.                                | 2,215         | 1,913         |
| CIE Golde Shanghai Innovation Co., Ltd.            | 3,732         | 3,735         |
| Other                                              | 4,106         | 3,083         |
| <b>TOTAL</b>                                       | <b>22,309</b> | <b>17,610</b> |

The carrying amounts of trade and other accounts receivable approximate their fair value as they are due in the short term.

The credit risk on trade and other accounts receivable is managed by classifying each of the Company's customers by their credit risk.

Credit risk arising on trade receivables is not concentrated.

Receivables that have passed their nominal due date but that are within the usual collection periods established with the various customers and debtors are not considered past due. All receivables exceeding the established collection agreements had been provided for at 31<sup>st</sup> December 2022 and 2021. Trade receivables not impaired relate to customers and debtors that have no recent history of default. All trade and other receivables are due within twelve months of the balance sheet date.

The accounts included in 'Trade and other receivables' have not been impaired.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Company does not maintain any guarantee as insurance.

### 9. Derivative financial instruments

|                        | Assets/(Liabilities) |              |
|------------------------|----------------------|--------------|
|                        | 2022                 | 2021         |
| Interest rate swaps:   |                      |              |
| - Cash-flow hedges     | 1,347                | -            |
| Equity Swap:           |                      |              |
| - Non cash-flow hedges | (5,872)              | 4,541        |
|                        | <b>(4,525)</b>       | <b>4,541</b> |

Derivatives are classified in the year according to their maturity.

The Company's hedging derivatives as of 31<sup>st</sup> December 2022 had demonstrated their effectiveness in the hedging tests carried out (Note 3.6).

#### Swaps (interest rate and other)

In 2022, the Company has signed new interest rate swap agreements (from variable to fixed) with a notional principal outstanding amount to €50,000 thousand, which are classified as hedging instruments on 31<sup>st</sup> December 2022. During the year 2021, the Group liquidated its interest swap contracts, assuming a reclassification between the income statement for financial year and another comprehensive income of €10,944 thousand.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

### Equity swap

On 6<sup>th</sup> August 2018 the Parent company arranged a new derivative associated with the listed share price of CIE Automotive, S.A., which was novated on 28<sup>th</sup> December 2022. The underlying asset of the operation amounts to 2 million shares with an initial value of €25.09 per share. This underlying's valuation amounts to €5,872 thousand negative at 31<sup>st</sup> December 2022 (€4,541 thousand positive at 31<sup>st</sup> December 2021), and is due in 2028.

### 10. Cash and cash equivalents

|                  | 2022          | 2021          |
|------------------|---------------|---------------|
| Cash             | 29,256        | 28,839        |
| Cash equivalents | 1,946         | 2,120         |
| <b>TOTAL</b>     | <b>31,202</b> | <b>30,959</b> |

Other liquidity assets correspond to investments of cash surplus, maturing in less than three months or with immediate availability.

### 11. Share capital and share premium

#### a) Share capital

The share capital of the Company at 31<sup>st</sup> December 2022 and 2021 is represented by 122,550,000 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Madrid stock market.

The companies that hold a direct or indirect interest of more than 10% are as follows:

| Shareholding percentage                    | 31.12.2022 | 31.12.2021 |
|--------------------------------------------|------------|------------|
| Acek Desarrollo y Gestión Industrial, S.L. | (*)15.69%  | (*)15.69%  |
| Corporación Financiera Alba, S.A.          | 13.35%     | 12.73%     |
| Elidoza Promoción de Empresas, S.L.        | 10.34%     | 10.89%     |

(\*) 5.790% direct and indirectly, through Risteel Corporation, B.V. as of 31<sup>st</sup> December 2022 and 2021.

The stock price of the Company listed in the Madrid Stock Exchange was €24.06 at 30<sup>th</sup> December 2022 (last listed session of the period).

#### b) Share premium

This reserve is freely available for distribution.

#### c) Treasury shares

The movement of treasury shares during the periods ended 31<sup>st</sup> December 2021 and 31<sup>st</sup> December 2020 is broken down in the following table:

|                        | 31 <sup>st</sup> December 2021 |                        | 31 <sup>st</sup> December 2020 |                        |
|------------------------|--------------------------------|------------------------|--------------------------------|------------------------|
|                        | Number of shares               | Amount (Thousand euro) | Number of shares               | Amount (Thousand euro) |
| <b>Opening balance</b> | <b>15,244</b>                  | <b>401</b>             | <b>-</b>                       | <b>-</b>               |
| Acquisitions           | 3,346,121                      | 71,391                 | 2,067,455                      | 50,563                 |
| Sales for the year     | (442,238)                      | (11,466)               | (2,052,211)                    | (50,162)               |
| <b>Ending balance</b>  | <b>2,919,127</b>               | <b>60,326</b>          | <b>15,244</b>                  | <b>401</b>             |

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

During 2022, the Company has acquired a final amount of 59,925 treasury shares directly, with an ending balance of 2,919,127 shares (reaching 2.38% of the total voting rights issued by the Company), which are added to the indirect participation resulting from the equity swap agreement signed in the year 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights). During 2021, the Company acquired a net amount of 15,244 own treasury directly (0.01% of the total voting rights issued by the Company), which were in addition to the indirect participation resulting from the equity swap agreement signed in 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights).

Under this authorization framework, on 16<sup>th</sup> March 2022, the Company's Board of Directors resolved to terminate the liquidity agreement entered into in 2021 and to approve a program to repurchase the Company's own shares in order to reduce up to a maximum of 5% of the Company's share capital through the redemption of own shares, reserving the right to terminate this program prior to the expiration date in accordance with the agreed terms.

Also, the mandate conferred by the Shareholders' Meeting held on 28<sup>th</sup> April 2022, by virtue of which the Board of Directors of the Company is empowered to acquire, at any time and as many times as it deems appropriate, shares of CIE Automotive, S.A., by any means permitted by law, including with a charge to profit for the year and/or unrestricted reserves, and to subsequently dispose of or redeem such shares, all accordance with article 146 and concordant of the Capital Companies Law, until 28<sup>th</sup> April 2027.

### 12. Reserves and retained earnings

#### a) Reserves

|                                      | 2022           | 2021           |
|--------------------------------------|----------------|----------------|
| <b>Legal and statutory reserves:</b> |                |                |
| - Legal reserve                      | 6,450          | 6,450          |
|                                      | <b>6,450</b>   | <b>6,450</b>   |
| <b>Other reserves:</b>               |                |                |
| - Voluntary reserves                 | 55,716         | 53,544         |
| - Merger reserve                     | 66,303         | 66,303         |
|                                      | <b>122,019</b> | <b>119,847</b> |
| <b>TOTAL</b>                         | <b>128,469</b> | <b>126,297</b> |

#### Legal reserve

In accordance with Article 274 of the Spanish Companies Act, the 10% of profits must be endowed to the legal reserve until it reaches at least 20% of the share capital. In 2022 and 2021, the legal reserve reaches the established minimum limit.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

#### Merger reserve

The amount of merger reserve contains the equity effect on CIE Automotive S.A. of the merger agreement between the Company and INSSEC in 2011 and the equity effect of the merger among CIE Berriz, S.L, CIE Inversiones e Inmuebles, S.L.U. and CIE Automotive Bioenergía, S.L.U. in 2012.

The merger reserve is available for distribution.



## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

### 13. Profit/(loss) for year

#### a) Proposed distribution of profit

The proposed distribution of 2022 profit to be put before the shareholders in General Meeting, along with that approved at the Annual General Meeting of 28<sup>th</sup> April 2022 in respect of 2021 profit is shown below:

|                                   | 2022           | 2021          |
|-----------------------------------|----------------|---------------|
| <b>Available for distribution</b> |                |               |
| Profit for the period             | 106,899        | 89,929        |
| <b>TOTAL</b>                      | <b>106,899</b> | <b>89,929</b> |
| <b>Distribution:</b>              |                |               |
| Interim dividend                  | 50,246         | 44,118        |
| Final dividend                    | 50,246         | 44,118        |
| Voluntary reserves                | 6,407          | 1,693         |
| <b>TOTAL</b>                      | <b>106,899</b> | <b>89,929</b> |

#### b) Dividends paid

On 15<sup>th</sup> December, 2022, the Board of Directors approved the payment of an interim dividend charged to the profit of the year 2022 of the Parent Company for an amount of €0.41 per share, which has meant a total of €49,049 thousand. Payment has been effective on 5<sup>th</sup> January 2023.

The amount to distribute did not exceed the profit obtained by the parent company since the last financial year, deducting the income tax estimation, according to Article 277 of Spain Corporate Enterprise Act.

The provisional accounting statement of the on 30<sup>th</sup> November 2022, which has been formulated according to legal requirements and shows the existence of enough cash-flow to distribute the dividend mentioned above, is as follows (thousand euro):

| Provisional cash-flow statement       | Thousand euros  |
|---------------------------------------|-----------------|
| <b>Profit forecast:</b>               |                 |
| - Available net profit for 2021       | 114,572         |
| <b>To deduct:</b>                     |                 |
| - Legal reserve                       | -               |
| <b>Maximum amount to distribute</b>   | <b>114,572</b>  |
| <b>Amount distribution proposal</b>   | <b>100,491</b>  |
| <b>Treasury forecast for one year</b> | <b>214,699</b>  |
| <b>Interim dividend</b>               | <b>(50,246)</b> |

On 28<sup>th</sup> April 2022, the General Meeting of Shareholders of CIE Automotive, S.A. has agreed to distribute the individual result for the 2021 year, approving the distribution of a complementary dividend of €0.36 gross per share entitled to a dividend, which has meant a total of €43,094 thousand. The disbursement has been made effective on 6<sup>th</sup> July 2022.

On 15<sup>th</sup> December 2021, the Board of Directors of CIE Automotive, S.A. agreed to distribute the result for the 2021 year of the Parent Company, approving the distribution of an interim dividend of €0.36 gross per share entitled to a dividend, which meant a total of €44,113 thousand. The disbursement has been made effective on 5<sup>th</sup> January 2022.

On 5<sup>th</sup> May 2021, the General Meeting of Shareholders of CIE Automotive, S.A. agreed the distribution of the individual result for the 2020 year, approving the distribution of a complementary dividend of €0.25 gross per share entitled to a dividend, which amounted to a total of €30,624 thousand. The disbursement was effective on 6<sup>th</sup> July 2021.

On 16<sup>th</sup> December 2020, Board of Directors of CIE Automotive, S.A. approved the payment of an interim dividend of 2020 profit of €0.25 gross per share, implying a total pay-out of €30,638 thousand. The disbursement was effective on 7<sup>th</sup> January 2021.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

### 14. Financial liabilities at amortised cost

|                                                                                  | 2022             | 2021             |
|----------------------------------------------------------------------------------|------------------|------------------|
| <b>Non-current financial liabilities at amortised cost</b>                       |                  |                  |
| - Bank borrowings (Notes 6 and 14.a)                                             | 1,470,648        | 1,394,633        |
| - CIE Automotive Group companies and associates, non-current (Note 14.b)         | 175,075          | 153,107          |
| <b>Other non-current payables</b>                                                |                  |                  |
| - Other non-current payables (Note 14.c)                                         | 50,025           | 49,994           |
|                                                                                  | <b>1,695,748</b> | <b>1,597,734</b> |
| <b>Current financial liabilities at amortised cost</b>                           |                  |                  |
| - Bank borrowings (current portion of non-current borrowings) (Notes 6 and 14.a) | 130,738          | 70,267           |
| - Commercial paper program (Note 14.a)                                           | 196,900          | 360,750          |
| - Payables to CIE Automotive Group companies (Note 14.b)                         | 7,846            | 8,659            |
| - Trade payables                                                                 | 6,840            | 7,755            |
| - Trade payables to Group companies                                              | 6,563            | -                |
| - Fixed asset suppliers                                                          | 306              | 534              |
| - Accrued wages and salaries                                                     | 12,095           | 6,979            |
| - Dividend payable (Note 13)                                                     | 49,049           | 44,113           |
| <b>TOTAL</b>                                                                     | <b>410,337</b>   | <b>499,057</b>   |

#### a) Borrowings and commercial paper

The exposure to interest rate changes deriving from long term bank borrowings is as follows:

|                                         | Balance at<br>December 31 | More than 1<br>year | More than 5<br>years |
|-----------------------------------------|---------------------------|---------------------|----------------------|
| <b>At 31<sup>st</sup> December 2022</b> |                           |                     |                      |
| Total borrowings                        | 1,798,286                 | 1,470,648           | 138,893              |
| Borrowings at fixed rate                | (999,091)                 | (725,082)           | (102,191)            |
| Effect of interest rate swaps (Note 9)  | (50,000)                  | -                   | -                    |
| <b>Exposure</b>                         | <b>749,195</b>            | <b>745,566</b>      | <b>36,702</b>        |
| <b>At 31<sup>st</sup> December 2021</b> |                           |                     |                      |
| Total borrowings                        | 1,825,650                 | 1,394,633           | 152,019              |
| Borrowings at fixed rate                | (724,417)                 | (351,388)           | (100,776)            |
| <b>Exposure</b>                         | <b>1,101,233</b>          | <b>1,043,245</b>    | <b>51,243</b>        |

Non-current borrowings mature as follows:

|                       | 2022             | 2021             |
|-----------------------|------------------|------------------|
| Between 1 and 2 years | 588,366          | 243,868          |
| Between 3 and 5 years | 743,389          | 998,746          |
| Over 5 years          | 138,893          | 152,019          |
| <b>TOTAL</b>          | <b>1,470,648</b> | <b>1,394,633</b> |

The effective interest rates at the balance sheet dates were customary market rates (Euribor + a market spread) and there were no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels. Bank loans and credit facilities generated a weighted average annual rate of interest of 1.95% (1.25% as in the year 2021).

The Company has the following undrawn credit lines:

| Thousand euro                     | 2022           | 2021           |
|-----------------------------------|----------------|----------------|
| Maturing within one year          | 74,533         | 59,195         |
| Maturing in more than one year    | 437,000        | 492,486        |
| <b>TOTAL UNDRAWN CREDIT LINES</b> | <b>511,533</b> | <b>551,681</b> |

The carrying amounts of non-current borrowings approximate their fair value.

The carrying amounts of current borrowings approximate their fair value as the effect of discounting is not significant.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

The carrying amounts of the Company's borrowings are all denominated in euro.

During 2022, the Company repaid €155.2 million under these financing agreements (2021: €557.9 million) and raised new funding in the amount of €287.6 million (2021: €493.0 million).

On 28<sup>th</sup> July 2014 the Company entered into a new financing arrangement with a syndicate of six financial institutions for €450 million. The amortisation period stood at 5 years, with an average term of 4.7 years. This improved the average term of the Company's financing and also improved the economic terms and conditions of the syndicated financing in effect. The subsequent novations related to this financing were the following:

- On 13<sup>th</sup> April 2015 the syndicated loan was novated and a decrease in the initially negotiated spread was agreed. Similarly, it was agreed to extend the maturity periods, establishing the new final maturity date to the end of April 2020.
- On 14<sup>th</sup> July 2016, the Company signed a second novation with respect to the syndicated financing arranged in 2014. According to this novation, the total amount was increased by €150 million, to €600 million, the maturity period was extended for another year, the last payment therefore being due in April 2021 and a change was agreed in the margin initially negotiated and novated in 2015.
- On 6<sup>th</sup> June, 2017, the Company signed a third novation with respect to the syndicated agreement. According to this novation, the maturity period was extended by one year for most of finance institutions, being the last payment due in April 2022.
- On 27<sup>th</sup> April 2018, the Company signed a forth novation of this syndicated finance agreement. According to this novation, the maturity period was extended by one year, being the last payment due in April 2023.
- On 12<sup>th</sup> April 2019, the Company signed a fifth novation with respect to the syndicated agreement. According to this novation, the limit has been increased by €90 million, reaching a total of €690 million; and the maturity has been extended until April 2024.
- On 27<sup>th</sup> February 2020, the Company requested the extension of the maturity date until 13<sup>th</sup> April 2025, being approved by most of the financing entities.
- In June 2020, this finance agreement became a sustainable loan valued by an external agent annually with its subsequent adjustment to the margin based on the improvement of the annual ratios of the Group's Environmental, Social and Governance criteria.
- On 16<sup>th</sup> June 2021, a longer maturity agreement was signed due on April 2026, and which was approved by all financial entities involved.
- On 6<sup>th</sup> June 2022, the extension of this financing until April 2027 has been signed, a new extension was unanimously approved by the financing entities.

The drawn amount of this syndicated financing agreement on 31<sup>st</sup> December 2022 amounts to €340 million (2021: €300 million), and its interest rate is indexed to Euribor plus a variable margin based on the Net Finance Debt/EBITDA ratio.

### Other financing agreements

On 14<sup>th</sup> July 2016, the Parent company arranged a new loan with several financial and insurance institutions amounting to €85 million and with final maturity in 10 years. Part of this finance agreement was contracted to a fixed interest rate, and the other part to a floating interest rate indexed to Euribor. In July 2021, a 2-year extension was signed for this financing, bringing the final maturity to 2028 and becoming the same at a fixed market interest. The balance disposed to 31<sup>st</sup> December 2022 and 2021 amounts to €68 million.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

In 2014 and 2018, the Group signed financing agreements with the European Investment Bank (EIB) to finance various research and development projects in the automotive components sector. During the first half year of 2021 the group paid-out the finance agreement signed in 2014. In addition, in September 2020 the Group signed a finance agreement with this institution amounting to €40 million, due in 2030. The final maturity of these financings is in 2031 and the outstanding balance as of 31<sup>st</sup> December 2022 amounts to €108 million euros (€116 million as of 31<sup>st</sup> December 2021).

All these financing facilities are subject to compliance with different financial ratios usual for these contracts in the market. As of 31<sup>st</sup> December 2022, and 31<sup>st</sup> December 2021, the Group complies with all the obligations that, in accordance with the financing contracts, were in force and were payable by the different lenders as of that date.

Financing contracts for the 2022 and 2021 financial years refer, for the most part, to non-structural contracts signed with Spanish financial entities.

### Commercial Paper Program

On 19<sup>th</sup> July 2018, the Parent company of the Group made public the formalization of a program of issuance of commercial paper program with a maximum amount of €200 million, which was registered in the Ireland Stock Market and which will serve as diversification of financing of working capital needs of the Group and as an alternative to bank financing for this purpose. On 18<sup>th</sup> July 2019, the program was renewed increasing the maximum amount to €300 million. On 18<sup>th</sup> March 2020, the maximum amount was increased to €400 million and on 21<sup>st</sup> July 2020 the program was renewed. As of 31<sup>st</sup> December 2022, the drawn balance amounts to €196.9 million (€361 million as of 31<sup>st</sup> December 2021).

### b) Payables to group companies

The payables with group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional successive or equal periods of 5 years. They accrue interest at market rates. The cancellation must be notified between the parts with a year of anticipation, for that reason is registered as non-current debts, €175,075 thousand (2021: €153,107 thousand).

These payable balances, as well as the receivable balance to receive (Note 7), arise principally from the action of the Company as financing management center for the Group companies.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The breakdown of non-current payables to group companies, at 31<sup>st</sup> December 2022 and 2021 is as follows:

|                                           | 2022           | 2021           |
|-------------------------------------------|----------------|----------------|
| CIE Udalbide, S.A.U.                      | 2,844          | 3,646          |
| Gameko Fabricación de Componentes, S.A.   | 4,288          | 9,503          |
| Inyctametal, S.A.                         | 7,476          | -              |
| Mecanizaciones del Sur-Mecasur, S.A.      | 6,915          | 4,383          |
| Nova Recyd, S.A.U.                        | 16,559         | 16,665         |
| Orbelan Plásticos, S.A.                   | 4,019          | 1,566          |
| CIE Plasty CZ, s.r.o.                     | 4,234          | 5,427          |
| CIE Compiègne, S.A.S.                     | 12,442         | 7,925          |
| CIE Galfor, S.A.U.                        | 5,385          | -              |
| CIE Zdanice, s.r.o.                       | 17,896         | 18,297         |
| CIE Unitools Press CZ, a.s.               | 6,345          | 2,959          |
| Componentes de Dirección Recylan S.L.U.   | 3,487          | 3,718          |
| Industrias Amaya Tellería, S.A.U.         | 16,078         | 16,482         |
| MAR SK, s.r.o.                            | 23,593         | 21,889         |
| Advanced Comfort Systems France, S.A.S.   | 8,995          | 8,995          |
| Advanced Comfort Systems Ibérica, S.A.U.  | 2,950          | 3,450          |
| CIE Roof Systems, S.L.U.                  | 13,383         | 16,331         |
| Biosur Transformación, S.L.U.             | 4,611          | 4,440          |
| Reciclado de Residuos Grasos, S.L.U.      | 2,414          | 1,805          |
| Leaz Valorización, S.L.U.                 | 1,492          | -              |
| Transformaciones Metalúrgicas Norma, S.A. | 1,918          | 565            |
| Alurecy, S.A.U.                           | 1,541          | 1,750          |
| Other less significant balances           | 6,210          | 3,311          |
| <b>TOTAL</b>                              | <b>175,075</b> | <b>153,107</b> |

The balance included in the epigraph debts with group companies in the short term includes the interests of the credit accounts and debts with subsidiaries of the group associated with the liquidation of the tax of companies in regime of fiscal consolidation for amount of €7,846 thousand (2021: €8,659 thousand).

### c) Other long-term debts

At 31<sup>st</sup> December 2022 this heading includes mainly the granted loan in December 2019 with COFIDES, which at 31<sup>st</sup> December 2022 held a balance of €49,869 thousand, being fully classified in the long term (2021: €49,838 thousand classified in the long term), and accrues an interest at a rate benchmarked to Euribor plus a market spread.

### d) Average payment period information

The breakdown of trade payables settled during 2022 and 2021 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of 5<sup>th</sup> July, is as follows:

|                                     | Days |      |
|-------------------------------------|------|------|
|                                     | 2022 | 2021 |
| Average payment period to suppliers | 54   | 57   |
| Paid operations ratio               | 66   | 65   |
| Outstanding operations ratio        | 47   | 49   |

|                      | Thousand euros |       |
|----------------------|----------------|-------|
|                      | 2022           | 2021  |
| Payments made        | 8,354          | 7,779 |
| Outstanding payments | 13,403         | 7,755 |

Additionally, and in accordance with the obligations required in the Spanish Law 18/2022 on creation and growth of companies, it is reported that the total amount of payments made in before than the maximum established by Law 5/2010 has amounted to €5,435 and 1,124 invoices, which represent 65% of the total payments made and 65% of the total invoices.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

### 15. Provisions

As of 31<sup>st</sup> December 2022, and 2021 the Company has provisions relating the hedge of various non-operating risks and other contingencies.

### 16. Deferred taxes

The analysis of deferred taxes is as follows:

|                                    | 2022          | 2021          |
|------------------------------------|---------------|---------------|
| <b>Deferred tax assets:</b>        |               |               |
| - Deductible temporary differences | 5,392         | 4,547         |
| - Tax credits (capex)              | 12,721        | 12,204        |
|                                    | <b>18,113</b> | <b>16,751</b> |
| <b>Deferred tax liabilities:</b>   |               |               |
| - Taxable temporary differences    | (323)         | -             |
| <b>Deferred taxes (net)</b>        | <b>17,790</b> | <b>16,751</b> |

The deductible temporary differences derive from the different timing of expense recognition for accounting and tax purposes, among other factors. These differences will revert when the aforementioned expenses turn deductible for tax purposes. Temporary taxable differences are related to cash flow hedge instruments.

The net movement in the deferred income tax account in 2022 and 2021 is as follows:

|                                                      | 2022          | 2021          |
|------------------------------------------------------|---------------|---------------|
| <b>Opening balance</b>                               | 16,751        | 16,841        |
| (Charged)/credited to the income statement (Note 18) | 1,362         | 2,680         |
| Tax recognised directly in equity                    | (323)         | (2,770)       |
| <b>Closing balance</b>                               | <b>17,790</b> | <b>16,751</b> |

The movements in deferred tax assets in 2022 and 2021 are as follows:

| Deferred tax assets                             | Hedges       | Provisions<br>& other | Tax credits<br>(capex) | Total         |
|-------------------------------------------------|--------------|-----------------------|------------------------|---------------|
| <b>Balance at 1<sup>st</sup> January 2021</b>   | <b>2,727</b> | <b>2,547</b>          | <b>11,567</b>          | <b>16,841</b> |
| (Charged)/credited to the income statement      | 43           | 2,000                 | 637                    | 2,680         |
| (Charged)/credited to equity                    | (2,770)      | -                     | -                      | (2,770)       |
| <b>Balance at 31<sup>st</sup> December 2021</b> | <b>-</b>     | <b>4,547</b>          | <b>12,204</b>          | <b>16,751</b> |
| (Charged)/credited to the income statement      | -            | 845                   | 517                    | 1,362         |
| <b>Balance at 31<sup>st</sup> December 2022</b> | <b>-</b>     | <b>5,392</b>          | <b>12,721</b>          | <b>18,113</b> |

| Deferred tax liabilities                        | Hedges     | Total      |
|-------------------------------------------------|------------|------------|
| <b>Balance at 31<sup>st</sup> December 2021</b> | <b>-</b>   | <b>-</b>   |
| (Charged)/credited to equity                    | 323        | 323        |
| <b>Balance at 31<sup>st</sup> December 2022</b> | <b>323</b> | <b>323</b> |

Deferred taxes charged to equity in 2022 and 2021 correspond to cash flow hedges. After the early cancellation of the hedging derivatives in 2021, the reversal of the temporary difference associated with them occurred.

Deferred tax assets are recognised for tax-loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

At 31<sup>st</sup> December 2022 the Company had the following tax losses that were generated by CIE Automotive tax group of which the Company is parent (Note 3.10):

| <b>Year generated</b> | <b>Amount</b> |
|-----------------------|---------------|
| 2010                  | 274           |
| 2011                  | 1,027         |
| 2013                  | 16,082        |
| 2018                  | 12,426        |
| 2019                  | 264           |
| 2020                  | 366           |
| 2021                  | 244           |
| 2022(forecast)        | 376           |
| <b>TOTAL</b>          | <b>31,059</b> |

The amounts recorded in the previous table take into account the exit of the company Bionor Berantevilla, S.L.U. from the Tax Group, which took the tax bases pending compensation, in the proportion in which it helped its generation, as well as the dissolution and liquidation of the companies Reciclados Ecológicos de Residuos, S.L.U. y Biodiesel Mediterráneo, S.L.U. occurred in the year 2021.

The tax-loss carry forwards are allocated to each of the companies that contributed to generating them, for the purpose of their possible recognition as deferred tax assets, an amounting to €7,454 thousand. Out of these losses carried forward, €13,798 thousand correspond to the Company. The recognition of losses carried forward in the Company results in the recognition of deferred tax assets amounting to €3,151 thousand.

At 31<sup>st</sup> December 2022, the Company does not maintain tax losses pending compensation generated previous to its integration to the fiscal Group.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

In addition, the amounts and years of generation of individual tax credits (deriving from various items and including those recognised as tax assets) pending of offset are as follows:

| Year generated | Amount        |
|----------------|---------------|
| 1996           | 134           |
| 1997           | 86            |
| 1998           | 102           |
| 1999           | 83            |
| 2000           | 2,660         |
| 2001           | 238           |
| 2002           | 34            |
| 2003           | 45            |
| 2004           | 323           |
| 2005           | 30            |
| 2006           | 7,209         |
| 2007           | 2,595         |
| 2008           | 1,829         |
| 2009           | 586           |
| 2010           | 92            |
| 2011           | 118           |
| 2012           | 118           |
| 2013           | 241           |
| 2014           | 267           |
| 2015           | 29            |
| 2016           | 122           |
| 2017           | 242           |
| 2018           | 123           |
| 2019           | 253           |
| 2020           | 244           |
| 2021           | 839           |
| 2022           | 517           |
| <b>TOTAL</b>   | <b>19,159</b> |

From the aforementioned tax credits, an amount of €5,103 thousand derive from the merged company Instituto Sectorial de Promoción y Gestión de Empresas, S.A. (INSSEC) and those are considered tax credits earned before the fiscal group.

The applicable tax legislation for the current year imposes a 30-year time limit on tax credits and tax-loss carry forwards generated, also stipulating that the 30-year period commences as from 1<sup>st</sup> January 2014 for tax credits and tax-loss carry forwards existing prior to that date.

### 17. Income and expense

#### a) Revenue

Revenue breaks down as follows:

|                            | 2022           | 2021           |
|----------------------------|----------------|----------------|
| Rendering of services      | 86,125         | 68,503         |
| Dividend income (Note 7.a) | 78,460         | 61,300         |
| Interest on loans          | 32,135         | 21,488         |
| <b>TOTAL</b>               | <b>196,720</b> | <b>151,291</b> |



## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

### a.1) Rendering of services

The geographic breakdown of revenue from the core business of rendering corporate services to CIE Automotive Group companies (Note 1 and Appendix I), totalling €86,125 thousand (2021: €68,503 thousand), based on the locations of the receiving companies, is as follows:

| <b>Mercado</b>    | <b>2022</b> | <b>2021</b> |
|-------------------|-------------|-------------|
| Spain             | 23%         | 28%         |
| America           | 61%         | 54%         |
| Rest of the world | 16%         | 18%         |
| <b>TOTAL</b>      | <b>100%</b> | <b>100%</b> |

### a.2) Dividends received from CIE Automotive Group companies

The Company received in 2022 a dividend from the subsidiaries Advanced Comfort Systems, Ibérica, S.L.U., Autokomp Ingeniería, S.A.U. and CIE Automotive Boroa, S.L.U. for its distribution of results for the year 2021 amounting to €525 thousand, €2,316 thousand and €619 thousand, respectively.

In year 2022, the Company has also received interim dividends of its subsidiaries CIE Roof Systems, S.L.U., Autokomp Ingeniería, S.A.U. and CIE Automotive Boroa, S.L.U. amounting to €52,000 thousand, €4,500 thousand and €10,500 thousand respectively, and CIE Berriz, S.L. has distributed a dividend amounting to €8,000 thousand charged to voluntary reserves.

All these distributions were approved at each of the corresponding General Meetings of Partners/Shareholders held during the month of December 2022. These dividends have been collected by the Company during the year.

### a.3) Interest income on loans to CIE Automotive Group companies

At 31<sup>st</sup> December 2022 the Company accrued interest income on credits to CIE Automotive Group companies and associated for an amount of €32,135 thousand (2021: €21,488 thousand).

### b) Employee benefit expense

|                       | <b>2022</b>   | <b>2021</b>   |
|-----------------------|---------------|---------------|
| Wages and salaries    | 25,793        | 25,101        |
| Termination benefits  | 258           | -             |
| Social security costs |               |               |
| - Social security     | 926           | 904           |
| <b>TOTAL</b>          | <b>26,977</b> | <b>26,005</b> |

The average number of employees by category during the year was as follows:

|                                      | <b>Headcount</b> |             |
|--------------------------------------|------------------|-------------|
|                                      | <b>2022</b>      | <b>2021</b> |
| Executives                           | 9                | 9           |
| University graduates and specialists | 57               | 57          |
| <b>TOTAL</b>                         | <b>66</b>        | <b>66</b>   |

The distribution of the Company's personnel by women and men, and Board of Directors members at the year-end is as follows:

|                                      | <b>2022</b>  |            |              | <b>2021</b>  |            |              |
|--------------------------------------|--------------|------------|--------------|--------------|------------|--------------|
|                                      | <b>Women</b> | <b>Men</b> | <b>Total</b> | <b>Women</b> | <b>Men</b> | <b>Total</b> |
| Directors                            | 5            | 9          | 14           | 5            | 8          | 13           |
| Executives                           | 4            | 4          | 8            | 4            | 4          | 8            |
| University graduates and specialists | 27           | 29         | 56           | 28           | 31         | 59           |
| <b>TOTAL</b>                         | <b>36</b>    | <b>42</b>  | <b>78</b>    | <b>37</b>    | <b>43</b>  | <b>80</b>    |

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

Likewise, there were no persons employed in 2022 and 2021 with a functional disability greater than or equal to 33%, however, the Company has subcontracted Lantegi Batuak Foundation, an entity qualified as a special employment center, having obtained the corresponding approval by the Basque Service of Employment - Lanbide.

### Long-term incentive

The Board of Directors of CIE Automotive, S.A. agreed in 2018 to implement a plan to allow the participation of certain Group employees in the Company's share capital, granting said employees a loan due at maturity at date of 31<sup>st</sup> December 2022, with zero interest rate. The objective of the plan is twofold: (i) to motivate, promote loyalty and encourage the most important members of the Group's management to achieve the strategic objectives for the next five years; and (ii) as a result of the commitment to the Group, to allow that the aforementioned employees benefit from any increase in the quoted price of the shares of CIE Automotive, S.A. from 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2022. These loans, which, meet the conditions to be considered as full recourse, are valued at fair value, are classified under credits classified at fair value and, as of 31<sup>st</sup> December 2022, amount to €15 million (2021: €20 million) (Note 6).

On December 2022, the maturity of the loans to executives has been extended for a period of 5 years, until January 2028, keeping the rest of the conditions of the plan unchanged. As of 31<sup>st</sup> December 2022, the assets associated with these long-term loans have been recorded at fair value, resulting in an adjustment of €2.5 million (Note 6.5).

#### c) Other operating expenses

Other operating expenses are broken down as follows:

|                                                      | 2022         | 2021         |
|------------------------------------------------------|--------------|--------------|
| Travel expenses                                      | 931          | 427          |
| Repairs and maintenance                              | 1,515        | 1,429        |
| Independent professional services and other services | 1,732        | 2,705        |
| Leases                                               | 497          | 519          |
| Insurance premiums                                   | 2,018        | 1,591        |
| Other                                                | 1,462        | 2,210        |
| <b>TOTAL</b>                                         | <b>8,155</b> | <b>8,881</b> |

### 18. Income tax and tax matters

As mentioned in the section covering measurement standards (Note 3.10), CIE Automotive, S.A. is authorized to file consolidated tax returns with certain subsidiaries.

As certain transactions are treated differently for income tax purposes with respect to how they are treated in preparing the annual accounts, taxable income for the year differs from accounting profit.

The reconciliation of net income and expenses for the year to taxable income as per the Company's individual tax return is set forth below:

|                                           | 2022      |           |               | 2021      |           |               |
|-------------------------------------------|-----------|-----------|---------------|-----------|-----------|---------------|
|                                           | Increases | Decreases | Net           | Increases | Decreases | Net           |
| Profit / (loss) for year                  |           |           | 106,899       |           |           | 89,929        |
| Income tax                                |           |           | 5,161         |           |           | (4,017)       |
| Permanent differences                     | 3,379     | (78,460)  | (75,081)      | 3,245     | (77,193)  | (73,948)      |
| Temporary differences:                    |           |           |               |           |           |               |
| - originated in current year              | 5,420     | (1,905)   | 3,515         | 8,659     | -         | 8,659         |
| - originated in previous year             | -         | -         | -             | -         | -         | -             |
| <b>Individual taxable income tax base</b> |           |           | <b>40,494</b> |           |           | <b>20,623</b> |

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The calculation of tax income is disclosed in the following table:

|                                    | 2022          | 2021          |
|------------------------------------|---------------|---------------|
| Individual taxable income tax base | 40,494        | 20,623        |
| Tax Group taxable base             | <b>40,494</b> | <b>20,623</b> |
| Current tax payable                | 9,720         | 4,949         |
| Tax base not compensated           | -             | -             |
| Current tax                        | <b>9,720</b>  | <b>4,949</b>  |

The breakdown of income tax expense is as follows:

|                                           | 2022         | 2021           |
|-------------------------------------------|--------------|----------------|
| Current tax                               | 9,720        | 4,949          |
| Deferred tax (Note 16)                    | (845)        | (2,043)        |
| Tax credits (Note 16)                     | (517)        | (637)          |
| Correction of prior-year income tax       | -            | (32)           |
| Income tax withholdings (retained abroad) | 517          | 646            |
| Register of provisions and other          | (3,714)      | (6,900)        |
| <b>Total</b>                              | <b>5,161</b> | <b>(4,017)</b> |

No corporate income tax was payable to the Tax Administration in 2022 and 2021 (Note 16).

The periods not prescribed under prevailing legislation are opened to inspection by the tax authorities, which are the years between 2018 and 2022.

The accounting obligations arising from the merger between the Company and Instituto Sectorial de Promoción y Gestión de Empresas, S.A. (Absorbed Company) appear in the 2011 Annual Report, the first approved report that includes the accounting effects of the merger by absorption dated 1<sup>st</sup> January 2011.

As a result, among others, of the different interpretations of current tax law, additional liabilities could arise as a result of an inspection. In any event, the Directors consider that any such liabilities that may arise will not have a significant impact on the Annual Accounts for 2022 or 2021.

The corporate income tax legislation applicable to the Company in 2022 is that relating to Bizkaia Regional Regulation 11/2013, 5<sup>th</sup> December; modified by the Foral Regulation 2/2018, of 12<sup>th</sup> March.

### 19. Finance income/expense

|                                                           | 2022            | 2021            |
|-----------------------------------------------------------|-----------------|-----------------|
| <b>Finance income:</b>                                    |                 |                 |
| Other finance income                                      | 1,266           | 1,038           |
|                                                           | <b>1,266</b>    | <b>1,038</b>    |
| <b>Finance expense:</b>                                   |                 |                 |
| Borrowings from group companies (Note 25)                 | (5,251)         | (2,367)         |
| Third-party borrowings                                    | (29,355)        | (25,688)        |
| Other finance expense                                     | (195)           | (223)           |
|                                                           | <b>(34,801)</b> | <b>(28,278)</b> |
| <b>Change in fair value of financial instruments:</b>     |                 |                 |
| Gains/(losses) recognised regarding financial instruments | (12,638)        | 70              |
|                                                           | <b>(12,638)</b> | <b>70</b>       |
| <b>Net exchange differences</b>                           | <b>(6)</b>      | <b>(108)</b>    |
| <b>Finance income/expense</b>                             | <b>(46,179)</b> | <b>(27,278)</b> |

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

### 20. Cash flows from operating activities

|                                                                                                               | 2022            | 2021            |
|---------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Profit for the year before tax</b>                                                                         | <b>112,060</b>  | <b>85,912</b>   |
| <b>Adjustments for:</b>                                                                                       |                 |                 |
| - Depreciation                                                                                                | 3,834           | 3,700           |
| - Change in provisions                                                                                        | 992             | 1,000           |
| - Finance income (Note 19), dividend income and interest income from CIE Automotive Group companies (Note 17) | (11,861)        | (83,826)        |
| - Finance expense (Note 19)                                                                                   | 34,801          | 28,278          |
| - Exchange rate differences (Note 19)                                                                         | 6               | 108             |
| - Change in fair value of financial instruments (Note 19)                                                     | 12,638          | (70)            |
|                                                                                                               | <b>(59,590)</b> | <b>(50,810)</b> |
| <b>Changes in working capital:</b>                                                                            |                 |                 |
| - Trade and other receivables                                                                                 | (4,735)         | (1,964)         |
| - Trade and other payables                                                                                    | 13,347          | 2,779           |
|                                                                                                               | <b>10,517</b>   | <b>815</b>      |
| <b>Other cash flows from operating activities:</b>                                                            |                 |                 |
| - Interests paid                                                                                              | (27,832)        | (28,702)        |
| - Dividends received (Note 17)                                                                                | 78,460          | 61,300          |
| - Interests received                                                                                          | 22,762          | 20,632          |
|                                                                                                               | <b>73,390</b>   | <b>53,230</b>   |
| <b>Cash flows from operating activities</b>                                                                   | <b>134,472</b>  | <b>89,147</b>   |

### 21. Cash flows from investing activities

|                                             | 2022         | 2021            |
|---------------------------------------------|--------------|-----------------|
| <b>Payments for investments:</b>            |              |                 |
| - Group companies and associates (Note 7.b) | -            | (15,073)        |
| - Intangible assets                         | (678)        | (1,158)         |
| - Property, plant and equipment             | (6)          | (217)           |
| - Other financial assets                    | -            | (7)             |
|                                             | <b>(684)</b> | <b>(16,455)</b> |
| <b>Proceeds from disposals:</b>             |              |                 |
| - Other financial assets                    | 4,952        | 4,196           |
|                                             | <b>4,952</b> | <b>4,196</b>    |
| <b>Cash flows from investing activities</b> | <b>4,268</b> | <b>(12,259)</b> |

### 22. Cash flows from financing activities

|                                                                                 | 2022             | 2021            |
|---------------------------------------------------------------------------------|------------------|-----------------|
| <b>Proceeds from and repayments of financial liabilities:</b>                   |                  |                 |
| - Issuance:                                                                     |                  |                 |
| - Bank borrowings (Note 14)                                                     | 287,585          | 493,000         |
| - Commercial paper program (Note 14)                                            | -                | 82,650          |
| - Net change in loans to/from Group companies and associates (*)                | 40,603           | -               |
| - Repayment and depreciation of:                                                |                  |                 |
| - Bank borrowings (Note 14)                                                     | (155,153)        | (557,918)       |
| - Commercial paper program (Note 14)                                            | (163,850)        | -               |
| - Settlement of hedging derivatives                                             | -                | (10,944)        |
| - Net change in loans to/from Group companies and associates (*)                | -                | (14,061)        |
|                                                                                 | <b>9,185</b>     | <b>(7,273)</b>  |
| <b>Payment of dividends and remuneration of other equity instruments:</b>       |                  |                 |
| - Sale/(Acquisition) of treasury shares (Note 11.c)                             | (60,475)         | 78              |
| - Payment of dividends and remuneration of other equity instruments (Note 13.b) | (87,207)         | (61,262)        |
|                                                                                 | <b>(147,682)</b> | <b>(61,184)</b> |
| <b>Cash flows from financing activities</b>                                     | <b>(138,497)</b> | <b>(68,457)</b> |

(\*) Corresponds to the net movement on current account balances with CIE Automotive Group companies, including asset and liability balances, arising from overall Group financing arrangements.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### 23. Contingencies

#### Contingent liabilities

The Company had not extended any guarantees or pledges other than those disclosed at 31<sup>st</sup> December 2022 and 2021 (Note 14).

### 24. Director and Key Management compensation

#### a) Compensation paid to the members of the Board of Directors

Total compensation accrued by the members of the Board of Directors has amounted to €8,556 thousand (2021: €11,268 thousand). The members of the Board of Directors received no compensation in respect of bonuses or profit-sharing arrangements, apart from the indicated in Note 25. Nor did they receive shares or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

The Company has entered into no commitments relating to pensions or other types of complementary retirement remuneration with senior management personnel.

#### b) Compensation and loans to Key Management personnel

As of 31<sup>st</sup> December 2022, and 2021, the Company's Senior Management was made up of 4 women and 3 men.

The total compensation accrued by key management personnel in 2022 amounted to 8,975 thousand (2021: €5,455 thousand). Likewise, Senior management personnel do not have life or civil liability insurance at the expense of the Company. These amounts exclude the compensation related to the members of the Board of Directors, with have been disclosed in Note 17.b).

As explained in Note 17, the Board of Directors of CIE Automotive S.A. agreed in 2018 to implement a plan to allow the participation of certain Group employees in the company's capital stock. The total nominal amount of the loans to members of the Senior Management, pending collection as of 31<sup>st</sup> December 2022 is 5,364 thousand (2021: €6,425 thousand).

The Company has entered into no commitments related to pensions or other types of complementary post-employment benefits with Key Management personnel.

#### c) Article 228 of the Spanish Companies Act

In the duty to avoid situations of conflict of interest of the Company, during 2022 the administrators who have occupied charges in the Board of Directors during have complied with the obligations foreseen in the article 228 of the restated text of the Law of Capital companies. Likewise, both managing directors and their relatives have abstained from incurring in the suppositions of conflict of interest foreseen in the article 229 of the above-mentioned norm. No communication about direct or indirect conflicts of interest has been notified during the current year to the Board of Directors.

#### d) Complementary long-term incentive based on the increase in value of the shares of CIE Automotive, S.A.

At the General Shareholders' Meeting held on 24<sup>th</sup> April 2018, the concession was approved, for the CEO, of a long-term incentive based on the evolution of the share price of CIE Automotive, S.A., and modified by an agreement which was approved by the General Shareholders' Meeting on 5<sup>th</sup> May 2021.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The incentive consists of the payment of a total extraordinary remuneration resulting from multiplying 1,450,000 rights by the increase in the value of the share price of CIE Automotive, S.A. during a maximum period of time of 9 years (reference periods), being its initial base quotation of €21.30 per share and the closing value the average of the contribution corresponding to a monthly payment within the established reference periods, in the terms approved by the General Shareholders' Meeting. In accordance with the modifications introduced at the aforementioned General Shareholders' Meeting of 5th May 2021, during the year, the CEO proceeded to partially execute the incentive, so that the amount accrued for said remuneration had amounted to €5,900 thousand. With this partial execution, the base price was set for possible subsequent years of the incentive at €25.37 per share.

In the first half year of 2022, the CEO proceeded again to partially exercise the incentive, so that the amount accrued for said remuneration rose to €2,972 thousand. With this second partial exercise, a base price has been set for possible subsequent exercises of the incentive at €27.41 per share.

### 25. Transactions with group companies and related parties

The Company is the ultimate parent company of Group (Appendix I).

The breakdown of the transactions conducted with group companies in 2022 and 2021 is provided below:

|                                       | 2022           | 2021           |
|---------------------------------------|----------------|----------------|
| <b>Services rendered:</b>             | <b>191,469</b> | <b>151,291</b> |
| - Dividends received (Notes 7 and 17) | 78,460         | 61,300         |
| - Services (Note 17)                  | 86,125         | 68,503         |
| - Financial services (Note 17)        | 32,135         | 21,488         |
| <b>Interest:</b>                      |                |                |
| - Financial (Note 19)                 | (5,251)        | (2,367)        |

Closing balances at the 2022 and 2021 year-ends derived from the transactions described above are set out in Notes 6, 7, 8 and 14.b) above.

A breakdown of movements in non-current credit lines and loans granted to and received from companies of CIE Automotive Group in 2022 and 2021 is provided in Note 7.d) and Note 14.b).

In 2022 and 2021, no provision was required for the impairment of loans granted to group companies and associated.

a) Balances and transactions of the Company with related parties not belonging to the CIE Automotive Group:

| Balances in thousand euro                                           | 31.12.2022  | 31.12.2021  |
|---------------------------------------------------------------------|-------------|-------------|
| Receivable balances for the provision of services                   | 36          | 36          |
| Advances to related parties                                         | 6,500       | 7,800       |
| Receivable balances with entities with significant influence        | 16,800      | 16,800      |
| Payable balances with entities with significant influence (Note 14) | (34,370)    | (34,370)    |
| Dividend payable                                                    | (49,049)    | (44,113)    |
| <b>Balances in thousand euro</b>                                    | <b>2022</b> | <b>2021</b> |
| Services provided                                                   | 17          | 3           |
| Services received                                                   | 483         | 241         |
| Finance expenses                                                    | 592         | 427         |

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

---

### 26. Information on the environment

Environmental activity refers to any transaction, the main purpose of which is to minimize damage to the environment or enhance environmental protection efforts. Because of its holding company structure, the Company is not materially exposed to environmental risk.

The Company has not incurred significant expenses of an environmental nature in either 2022 or 2021.

The Company is not aware of the existence of any environmental protection related contingencies or liabilities and did not deem it necessary to recognize any provision for liabilities or charges of an environmental nature.

### 27. Auditor fees

Fees from PricewaterhouseCoopers Auditores, S.L. for the audit services of the Company's accounts (including the Company's consolidated annual accounts) and other assessment services amounted to €228 thousand in 2022 (2021: €206 thousand). Other services rendered by PricewaterhouseCoopers, S.L. have amounted to €56 thousand in 2022 (2021: €54 thousand), and mainly refer to agree upon procedures related to covenant compliance, review of the Spanish SCIFF report related to Internal Control Management on Financial Information and verification of non-financial indicators.

In addition, fees during the year by other firms from the PwC network related tax advisory services have amounted to €73 thousand (2021: €94 thousand).

### 28. Events after the balance sheet date

On 2<sup>nd</sup> February 2023, the Group has announced the acquisition of 100% of the share capital of the company Iber-Oleff Brasil, Ltda. for €20 million approximately.

With close to 400 employees and revenue amounting to €25 million in 2022, Iber-Oleff Brazil is located in Sao Paolo, and is specialized in the manufacture of plastic components for vehicle interiors, integrating into its injection processes, welding, painting, laser and assembly.

The closing of the operation is subject to compliance with the usual conditions to which these types of transactions are subject to.

In addition to the aforementioned, at the date of preparation of these Annual Accounts, no significant subsequent event to the fiscal year 2022 has occurred which could arise on significant impacts to the financial statements of the period-ended as of 31<sup>st</sup> December 2022.

## APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

| Company                                                 | Parent company                      | Activity                      | Location                   | % effective                    |          |
|---------------------------------------------------------|-------------------------------------|-------------------------------|----------------------------|--------------------------------|----------|
|                                                         |                                     |                               |                            | Shareholding of CIE Automotive |          |
|                                                         |                                     |                               |                            | Direct                         | Indirect |
| <b>CIE Berriz, S.L. (*)</b>                             | CIE Automotive, S.A.                | Holding company               | Biscay                     | 100.00%                        | -        |
| CIE Udalbide, S.A.U.                                    | CIE Berriz, S.L.                    | Manufacture of auto parts     | Biscay                     | -                              | 100.00%  |
| CIE Mecauto, S.A.U.                                     | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Mecanizaciones del Sur-Mecatur, S.A.                    | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Gameko Fabricación de Componentes, S.A.                 | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Grupo Componentes Vilanova, S.L.                        | CIE Berriz, S.L.                    | Manufacture of auto parts     | Barcelona                  | -                              | 100.00%  |
| Alurecy, S.A.U.                                         | CIE Berriz, S.L.                    | Manufacture of auto parts     | Biscay                     | -                              | 100.00%  |
| Componentes de Automoción Recytec, S.L.U.               | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Componentes de Dirección Recylan, S.L.U.                | CIE Berriz, S.L.                    | Manufacture of auto parts     | Navarre                    | -                              | 100.00%  |
| Nova Recyd, S.A.U.                                      | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Recyde, S.A.U.                                          | CIE Berriz, S.L.                    | Manufacture of auto parts     | Gipuzkoa                   | -                              | 100.00%  |
| Recyde CZ, s.r.o.                                       | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Zdrnice, s.r.o.                                     | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| Alcasting Legutiano, S.L.U.                             | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Egaña 2, S.L.                                           | CIE Berriz, S.L.                    | Manufacture of auto parts     | Biscay                     | -                              | 100.00%  |
| Inyctametal, S.A.                                       | CIE Berriz, S.L.                    | Manufacture of auto parts     | Biscay                     | -                              | 100.00%  |
| Orbelan Plásticos, S.A.                                 | CIE Berriz, S.L.                    | Manufacture of auto parts     | Gipuzkoa                   | -                              | 100.00%  |
| Transformaciones Metalúrgicas Norma, S.A.               | CIE Berriz, S.L.                    | Manufacture of auto parts     | Gipuzkoa                   | -                              | 100.00%  |
| Plasfil Plásticos da Figueira, S.A. (*)                 | CIE Berriz, S.L.                    | Manufacture of auto parts     | Portugal                   | -                              | 100.00%  |
| CIE Stratis-Tratamentos, Ltda.                          | Plasfil Plásticos da Figueira, S.A. | Manufacture of auto parts     | Portugal                   | -                              | 100.00%  |
| CIE Metal CZ, s.r.o.                                    | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Plasty CZ, s.r.o.                                   | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Unitools Press, a.s.                                | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Joamar, s.r.o.                                      | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Automotive Maroc, s.a.r.l. d'au                     | CIE Berriz, S.L.                    | Manufacture of auto parts     | Morocco                    | -                              | 100.00%  |
| CIE Praga Louny, a.s.                                   | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Deutschland, GmbH                                   | CIE Berriz, S.L.                    | Facilities                    | Germany                    | -                              | 100.00%  |
| Leaz Valorización, S.L.U. (dormant)                     | CIE Berriz, S.L.                    | Waste management and recovery | Biscay                     | -                              | 100.00%  |
| CIE Compiègne, S.A.S.                                   | CIE Berriz, S.L.                    | Manufacture of auto parts     | France                     | -                              | 100.00%  |
| Biosur Transformación, S.L.U. (2)                       | CIE Berriz, S.L.                    | Biofuels                      | Huelva                     | -                              | 100.00%  |
| Biocombustibles de Guatemala, S.A. (in liquidation) (2) | CIE Berriz, S.L.                    | Biofuels                      | Guatemala                  | -                              | 51.00%   |
| Gestión de Aceites Vegetales, S.L. (*) (2)              | CIE Berriz, S.L.                    | Biofuels                      | Madrid                     | -                              | 88.73%   |
| Reciclado de Residuos Grasos, S.L.U. (2)                | Gestión de Aceites Vegetales, S.L.  | Biofuels                      | Madrid                     | -                              | 88.73%   |
| Recogida de Aceites y Grasas Maresme, S.L.U. (2)        | CIE Berriz, S.L.                    | Biofuels                      | Barcelona                  | -                              | 100.00%  |
| Denat 2007, S.L.U.                                      | CIE Berriz, S.L.                    | Manufacture of auto parts     | Pontevedra                 | -                              | 100.00%  |
| Industrias Amaya Tellería, S.A.U.                       | CIE Berriz, S.L.                    | Manufacture of auto parts     | Biscay                     | -                              | 100.00%  |
| MAR SK, s.r.o.                                          | CIE Berriz, S.L.                    | Manufacture of auto parts     | Slovakia                   | -                              | 100.00%  |
| Autocom Componentes Automotivos do Brasil Ltda.         | CIE Berriz, S.L.                    | Manufacture of auto parts     | Brazil                     | -                              | 100.00%  |
| GAT México, S.A. de C.V.                                | CIE Berriz, S.L.                    | Manufacture of auto parts     | Mexico                     | -                              | 100.00%  |
| SC CIE Matricon, S.A.                                   | CIE Berriz, S.L.                    | Manufacture of auto parts     | Romania                    | -                              | 100.00%  |
| CIE Automotive Parts (Shanghai) Co., Ltd.               | CIE Berriz, S.L.                    | Manufacture of auto parts     | People's Republic of China | -                              | 100.00%  |
| CIE Automotive Rus, LLC                                 | CIE Berriz, S.L.                    | Manufacture of auto parts     | Russia                     | -                              | 100.00%  |



## APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

| Company                                                                 | Parent company                           | Activity                  | Location    | % effective                    |          |
|-------------------------------------------------------------------------|------------------------------------------|---------------------------|-------------|--------------------------------|----------|
|                                                                         |                                          |                           |             | Shareholding of CIE Automotive |          |
|                                                                         |                                          |                           |             | Direct                         | Indirect |
| CIE Automotive Goiaín, S.L.U.                                           | CIE Berriz, S.L.                         | Manufacture of auto parts | Álava/Araba | -                              | 100.00%  |
| Basquevolt, S.A. <sup>(1)</sup>                                         | CIE Berriz, S.L.                         | Sustainable batteries     | Álava/Araba | -                              | 16.67%   |
| Somaschini, S.P.A. <sup>(2)</sup>                                       | CIE Berriz, S.L.                         | Manufacture of auto parts | Italy       | -                              | 100.00%  |
| Somaschini Automotive, SRL <sup>(2)</sup>                               | Somaschini, SPA                          | Manufacture of auto parts | Italy       | -                              | 100.00%  |
| Somaschini International, Inc <sup>(2)</sup>                            | Somaschini Automotive, SRL               | Holding company           | USA         | -                              | 100.00%  |
| Somaschini North America, LLC                                           | Somaschini International, Inc            | Manufacture of auto parts | USA         | -                              | 100.00%  |
| Somaschini Realty, LLC                                                  | Somaschini International, Inc            | Real state                | USA         | -                              | 100.00%  |
| Autometal, Ltda. <sup>(2)</sup>                                         | CIE Berriz, S.L.                         | Manufacture of auto parts | Brazil      | -                              | 100.00%  |
| Durametal, Ltda.                                                        | Autometal, Ltda.                         | Manufacture of auto parts | Brazil      | -                              | 84.88%   |
| Autometal SBC Injeção e Pintura de Plásticos Ltda.                      | Autometal, Ltda.                         | Manufacture of auto parts | Brazil      | -                              | 100.00%  |
| Autometal Investimentos e Imóveis, Ltda. <sup>(2)</sup>                 | Autometal, Ltda.                         | Facilities                | Brazil      | -                              | 100.00%  |
| Gescrap-Autometal Comércio de Sucatas Ltda                              | Autometal Investimentos e Imóveis, Ltda. | Scrap                     | Brazil      | -                              | 30.00%   |
| Jardim Sistemas Automotivos e Industriais, Ltda.                        | Autometal, Ltda.                         | Manufacture of auto parts | Brazil      | -                              | 100.00%  |
| Metalúrgica Nakayone, Ltda.                                             | Autometal, Ltda.                         | Manufacture of auto parts | Brazil      | -                              | 100.00%  |
| Autometal Minas Cromação, Pintura e Injeção de Plásticos Ltda           | Autometal, Ltda.                         | Manufacture of auto parts | Brazil      | -                              | 100.00%  |
| CIE Automotive de México SAPI de C.V. <sup>(2)</sup>                    | CIE Berriz, S.L.                         | Holding company           | Mexico      | -                              | 100.00%  |
| Pintura y Ensamblés de México, S.A. de C.V.                             | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| CIE Celaya, S.A.P.I. de C.V.                                            | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| Gescrap Autometal de Mexico, S.A. de C.V.                               | CIE Automotive de México SAPI de C.V.    | Scrap                     | Mexico      | -                              | 30.00%   |
| Ges Trading Nar, S.A. de C.V. <sup>(3)</sup>                            | CIE Automotive de México SAPI de C.V.    | Facilities                | Mexico      | -                              | 30.00%   |
| Pintura, Estampado y Montaje, S.A.P.I. de C.V.                          | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V. | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| CIE Berriz México Servicios Administrativos, S.A. de C.V.               | CIE Automotive de México SAPI de C.V.    | Facilities                | Mexico      | -                              | 100.00%  |
| Nugar, S.A. de C.V.                                                     | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| Maquinados de Precisión de México S. de R.L. de C.V.                    | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| CIE Plásticos México, S.A. de C.V.                                      | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| CIE Automotive USA, Inc <sup>(2)</sup>                                  | CIE Automotive de México SAPI de C.V.    | Facilities                | USA         | -                              | 100.00%  |
| CIE Investments USA, Inc                                                | CIE Automotive USA, Inc                  | Holding Company           | USA         | -                              | 100.00%  |
| Century Plastics, LLC <sup>(2)</sup>                                    | CIE Automotive USA, Inc                  | Manufacture of auto parts | USA         | -                              | 100.00%  |
| Century Plastics Real State Holdings, LLC                               | Century Plastics, LLC                    | Real state                | USA         | -                              | 100.00%  |
| Newcor, Inc <sup>(2)</sup>                                              | CIE Automotive USA, Inc                  | Holding company           | USA         | -                              | 100.00%  |
| Owosso Realty, LLC                                                      | Newcor, Inc                              | Real state                | USA         | -                              | 100.00%  |
| Corunna Realty, Corp.                                                   | Newcor, Inc                              | Real state                | USA         | -                              | 100.00%  |
| Clifford Realty, Corp.                                                  | Newcor, Inc                              | Real state                | USA         | -                              | 100.00%  |
| Machine, Tools and Gear, Inc                                            | Newcor, Inc                              | Manufacture of auto parts | USA         | -                              | 100.00%  |
| Rochester Gear, Inc                                                     | Newcor, Inc                              | Manufacture of auto parts | USA         | -                              | 100.00%  |
| Golde South Africa, LLC                                                 | CIE Automotive USA, Inc                  | Distributor company       | USA         | -                              | 100.00%  |
| Golde Auburn Hills, LLC                                                 | CIE Automotive USA, Inc                  | Manufacture of auto parts | USA         | -                              | 100.00%  |
| Participaciones Internacionales Autometal Dos, S.L.U. <sup>(2)</sup>    | CIE Berriz, S.L.                         | Holding company           | Biscay      | -                              | 100.00%  |

## APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

| Company                                                       | Parent company                                       | Activity                                      | Location                   | % effective                    |          |
|---------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------|----------------------------|--------------------------------|----------|
|                                                               |                                                      |                                               |                            | Shareholding of CIE Automotive |          |
|                                                               |                                                      |                                               |                            | Direct                         | Indirect |
| Mahindra CIE Automotive Ltd. <sup>(*)</sup>                   | Participaciones Internacionales Autometal Dos S.L.U. | Manufacture of auto parts                     | India                      | -                              | 65.71%   |
| Stokes Group Ltd. (in liquidation) <sup>(2)</sup>             | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | United Kingdom             | -                              | 65.71%   |
| CIE Galfor, S.A.U. <sup>(*)</sup>                             | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | Orense                     | -                              | 65.71%   |
| CIE Forging Germany, GmbH <sup>(*)</sup> (2)(4)               | CIE Galfor, S.A.U.                                   | Holding company                               | Germany                    | -                              | 65.71%   |
| Gesenkschmiede Schneider GmbH <sup>(2)</sup>                  | CIE Forging Germany, GmbH                            | Manufacture of auto parts                     | Germany                    | -                              | 65.71%   |
| Jeco Jellinghaus GmbH <sup>(2)</sup>                          | CIE Forging Germany, GmbH                            | Manufacture of auto parts                     | Germany                    | -                              | 65.71%   |
| Falkenroth Umformtechnik GmbH <sup>(2)</sup>                  | CIE Forging Germany, GmbH                            | Manufacture of auto parts                     | Germany                    | -                              | 65.71%   |
| Schone Weiss & Co. GmbH <sup>(2)</sup>                        | CIE Forging Germany, GmbH                            | Manufacture of auto parts                     | Germany                    | -                              | 65.71%   |
| CIE Legazpi, S.A.U.                                           | CIE Galfor, S.A.U.                                   | Manufacture of auto parts                     | Gipuzkoa                   | -                              | 65.71%   |
| UAB CIE LT Forge                                              | CIE Galfor, S.A.U.                                   | Manufacture of auto parts                     | Lithuania                  | -                              | 65.71%   |
| Galfor Eólica, S.L.                                           | CIE Galfor, S.A.U.                                   | Power generation and trade                    | Orense                     | -                              | 16.43%   |
| Metalcastello S.p.A.                                          | CIE Galfor, S.A.U.                                   | Manufacture of auto parts                     | Italy                      | -                              | 65.68%   |
| Bill Forge de Mexico S de RL de CV                            | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | Mexico                     | -                              | 65.71%   |
| BF Precision Pvt. Ltd.                                        | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | India                      | -                              | 65.71%   |
| Aurangabad Electricals, Ltd.                                  | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | India                      | -                              | 65.71%   |
| CIE Hosur, Ltd.                                               | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | India                      | -                              | 65.71%   |
| Ge Scrap India Pvt. Ltd.                                      | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | India                      | -                              | 19.71%   |
| Clean Max Deneb Power, LLP                                    | Mahindra CIE Automotive Ltd.                         | Power generation and trade                    | India                      | -                              | 17.08%   |
| Sunbarn Renewables Pvt. Ltd.                                  | Mahindra CIE Automotive Ltd.                         | Power generation and trade                    | India                      | -                              | 17.16%   |
| Renew Surya Alok Pvt., Ltd <sup>(1)</sup>                     | Mahindra CIE Automotive Ltd.                         | Producción y comercialización de electricidad | India                      | -                              | 20.50%   |
| Strongsun Solar Pvt., Ltd <sup>(1)</sup>                      | Mahindra CIE Automotive Ltd.                         | Producción y comercialización de electricidad | India                      | -                              | 17.97%   |
| <b>Advanced Comfort Systems Ibérica, S.L.U.</b>               | CIE Automotive, S.A.                                 | Manufacture of auto parts                     | Orense                     | 100.00%                        | -        |
| <b>Advanced Comfort Systems France, S.A.S. <sup>(*)</sup></b> | CIE Automotive, S.A.                                 | Manufacture of auto parts                     | France                     | 100.00%                        | -        |
| Advanced Comfort Systems Romania, S.R.L.                      | Advanced Comfort Systems France, S.A.S.              | Manufacture of auto parts                     | Romania                    | -                              | 100.00%  |
| Advanced Comfort Systems México, S.A. de C.V.                 | Advanced Comfort Systems France, S.A.S.              | Manufacture of auto parts                     | Mexico                     | -                              | 100.00%  |
| Advanced Comfort Systems Shanghai Co. Ltd. <sup>(*)</sup>     | Advanced Comfort Systems France, S.A.S.              | Manufacture of auto parts                     | People's Republic of China | -                              | 100.00%  |
| Wuhan Advanced Comfort Systems Co. Ltd.                       | Advanced Comfort Systems Shanghai Co. Ltd.           | Manufacture of auto parts                     | People's Republic of China | -                              | 100.00%  |
| <b>Autokomp Ingeniería, S.A.U. <sup>(*)</sup></b>             | CIE Automotive, S.A.                                 | Facilities                                    | Biscay                     | 100.00%                        | -        |
| Forjas de Celaya, S.A. de C.V.                                | Autokomp Ingeniería, S.A.U.                          | Manufacture of auto parts                     | México                     | -                              | 100.00%  |
| Nanjing Automotive Forging Co., Ltd.                          | Autokomp Ingeniería, S.A.U.                          | Manufacture of auto parts                     | People's Republic of China | -                              | 50.00%   |
| CIE Forjas Minas, Ltda. <sup>(*)</sup> (7)                    | Autokomp Ingeniería, S.A.U.                          | Holding company                               | Brazil                     | -                              | 100.00%  |
| Autoforjas, Ltda.                                             | CIE Forjas Minas, Ltda.                              | Manufacture of auto parts                     | Brazil                     | -                              | 100.00%  |
| <b>CIE Automotive Boroa, S.L.U.</b>                           | CIE Automotive, S.A.                                 | Financing                                     | Biscay                     | 100.00%                        | -        |
| <b>CIE Automotive Roof Systems Korea, Ltd.</b>                | CIE Automotive, S.A.                                 | Manufacture of auto parts                     | Korea                      | 100.00%                        | -        |
| <b>CIE Roof Systems, S.L.U. <sup>(*)</sup>(6)</b>             | CIE Automotive, S.A.                                 | Holding company                               | Biscay                     | 100.00%                        | -        |

## APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

| Company                                                  | Parent company                            | Activity                  | Location                   | % effective                    |          |
|----------------------------------------------------------|-------------------------------------------|---------------------------|----------------------------|--------------------------------|----------|
|                                                          |                                           |                           |                            | Shareholding of CIE Automotive |          |
|                                                          |                                           |                           |                            | Direct                         | Indirect |
| Golde Tianjin Co., Ltd.                                  | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | People's Republic of China | -                              | 100.00%  |
| Golde Wuhan Co., Ltd.                                    | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | People's Republic of China | -                              | 100.00%  |
| Golde Shandong Co., Ltd.                                 | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | People's Republic of China | -                              | 100.00%  |
| CIE Golde Holding, S.L.U. <sup>(1)(6)</sup>              | CIE Roof Systems, S.L.U.                  | Holding company           | Biscay                     | -                              | 100.00%  |
| Inteva Products (Barbados), Ltd. (in liquidation)        | CIE Golde Holding, S.L.U.                 | Holding company           | Barbados                   | -                              | 100.00%  |
| Golde Shanghai Co., Ltd.                                 | CIE Golde Holding, S.L.U.                 | Manufacture of auto parts | People's Republic of China | -                              | 100.00%  |
| Golde Changchun Co., Ltd.                                | CIE Golde Holding, S.L.U.                 | Manufacture of auto parts | People's Republic of China | -                              | 100.00%  |
| CIE Golde Shanghai Innovation Co., Ltd.                  | CIE Golde Holding, S.L.U.                 | Technology center         | People's Republic of China | -                              | 100.00%  |
| Golde Netherlands, BV <sup>(2)</sup>                     | CIE Roof Systems, S.L.U.                  | Holding company           | The Netherlands            | -                              | 100.00%  |
| Golde Mexico Holdings, LLC <sup>(3)</sup>                | Golde Netherlands, BV                     | Holding company           | USA                        | -                              | 100.00%  |
| Automotive Mexico Body Systems, S. de R.L. de C.V.       | Golde Mexico Holdings, LLC                | Manufacture of auto parts | Mexico                     | -                              | 100.00%  |
| Golde Bengaluru India Pvt Ltd.                           | CIE Roof Systems, S.L.U.                  | Technology center         | India                      | -                              | 100.00%  |
| Roof Systems Germany, GmbH                               | CIE Roof Systems, S.L.U.                  | Technology center         | Germany                    | -                              | 100.00%  |
| Golde Oradea, SRL                                        | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | Romania                    | -                              | 100.00%  |
| Golde Lozorno, Spol, s.r.o.                              | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | Slovakia                   | -                              | 100.00%  |
| SIR S.A.S.                                               | CIE Roof Systems, S.L.U.                  | Holding company           | France                     | -                              | 100.00%  |
| Shanghai Golde Automotive Parts Co., Ltd. <sup>(4)</sup> | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | People's Republic of China | -                              | 50.00%   |
| Golde Automotive Parts (Ningde) Co., Ltd.                | Shanghai Golde Automotive Parts Co., Ltd. | Manufacture of auto parts | People's Republic of China | -                              | 50.00%   |
| Golde Pune Automotive India Private, Ltd.                | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | India                      | -                              | 100.00%  |

- (1) Companies added to consolidation scope in 2022 together with their subsidiaries.  
 (2) Discontinued companies at 31<sup>st</sup> December 2022  
 (3) Name change in 2022 from de Gescrap Autometal Mexico Servicios, S.A. de C.V. to Ges Trading Nar, S.A. de C.V.  
 (4) Name change in 2022 from Mahindra Forgings Europe, AG to CIE Forging Germany, GmbH  
 (5) Merged in 2022 with Golde Holdings, BV  
 (6) Name change in 2022 from Golde USA, LLC to CIE Golde Holding, S.L.U and migrated to Biscay  
 (7) Name change in 2022 from Componentes Automotivos Taubaté, Ltda. to CIE Forjas Minas, Ltda.  
 (\*) Parent company of all investees listed subsequently in the table.

## APPENDIX II: CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEETS AS AT 31<sup>ST</sup> DECEMBER 2022

#### PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

| Thousand euro                                            | Note      | 31.12.2022       | 31.12.2021       |
|----------------------------------------------------------|-----------|------------------|------------------|
| Property, plant and equipment                            | 7/8       | 1,613,447        | 1,575,325        |
| Intangible assets                                        |           | 1,859,024        | 1,865,831        |
| Goodwill                                                 | 7/8       | 1,827,378        | 1,830,247        |
| Other intangible assets                                  | 7/8       | 31,646           | 35,584           |
| Non-current financial assets                             | 9         | 32,428           | 23,270           |
| Investments in joint ventures and associates             | 9         | 57,929           | 48,399           |
| Deferred tax assets                                      | 18        | 198,003          | 192,866          |
| Other non-current assets                                 | -         | 34,194           | 47,801           |
| <b>Non-current assets</b>                                |           | <b>3,795,025</b> | <b>3,753,492</b> |
| Inventories                                              | 11        | 494,849          | 482,868          |
| Trade debtors and other accounts receivable              |           | 414,404          | 396,441          |
| Trade and other receivables                              | 10        | 309,457          | 284,155          |
| Other current assets                                     | -         | 47,636           | 51,819           |
| Current tax assets                                       | -         | 57,311           | 60,467           |
| Other current financial assets                           | 9         | 92,855           | 102,865          |
| Cash and cash equivalents                                | 12        | 732,053          | 658,788          |
| <b>Current assets</b>                                    |           | <b>1,734,161</b> | <b>1,640,962</b> |
| <b>Disposal group assets classified as held for sale</b> | <b>13</b> | <b>114,201</b>   | <b>3,661</b>     |
| <b>TOTAL ASSETS</b>                                      |           | <b>5,643,387</b> | <b>5,398,115</b> |

## APPENDIX II: CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET AT 31<sup>ST</sup> DECEMBER 2022

#### PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

| Thousand euro                                                 | Note | 31.12.2022       | 31.12.2021       |
|---------------------------------------------------------------|------|------------------|------------------|
| Equity attributable to the Parent company's shareholders      |      | 1,143,340        | 987,253          |
| Share capital                                                 | 14   | 30,637           | 30,637           |
| Treasury shares                                               | 14   | (60,326)         | (401)            |
| Share premium                                                 | 14   | 152,171          | 152,171          |
| Retained earnings                                             | 14   | 1,290,885        | 1,085,617        |
| Interim dividend                                              | 14   | (49,049)         | (44,113)         |
| Translation differences                                       | 14   | (220,978)        | (236,658)        |
| Non-controlling interests                                     | 14   | 361,309          | 380,369          |
| <b>TOTAL EQUITY</b>                                           |      | <b>1,504,649</b> | <b>1,367,622</b> |
| <b>Deferred income</b>                                        |      | <b>16,313</b>    | <b>15,653</b>    |
| Non-current provisions                                        | 19   | 135,298          | 196,534          |
| Non-current borrowings                                        | 15   | 1,669,109        | 1,654,078        |
| Other non-current financial liabilities                       | 9    | 5,872            | -                |
| Deferred tax liabilities                                      | 18   | 176,237          | 161,834          |
| Other non-current liabilities                                 | 17   | 145,449          | 153,417          |
| <b>Non-current liabilities</b>                                |      | <b>2,131,965</b> | <b>2,165,863</b> |
| Current borrowings                                            | 15   | 472,013          | 525,775          |
| Trade creditors and other payables                            |      | 1,091,827        | 1,016,880        |
| Trade and other payables                                      | 16   | 1,026,609        | 934,873          |
| Current tax liabilities                                       | 17   | 65,218           | 82,007           |
| Other current financial liabilities                           | 9    | 140              | -                |
| Current provisions                                            | 19   | 173,519          | 135,084          |
| Other current liabilities                                     | 17   | 169,176          | 168,346          |
| <b>Current liabilities</b>                                    |      | <b>1,906,675</b> | <b>1,846,085</b> |
| <b>Disposal group liabilities classified as held-for-sale</b> | 13   | <b>83,785</b>    | <b>2,892</b>     |
| <b>TOTAL LIABILITIES</b>                                      |      | <b>4,122,425</b> | <b>4,014,840</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                           |      | <b>5,643,387</b> | <b>5,398,115</b> |

## APPENDIX II: CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022 PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

| Thousand euro                                                            | Note  | 2022               | 2021 <sup>(*)</sup> |
|--------------------------------------------------------------------------|-------|--------------------|---------------------|
| <b>OPERATING REVENUE</b>                                                 |       | <b>4,049,222</b>   | <b>3,312,505</b>    |
| Revenue                                                                  | 20    | 3,838,606          | 3,093,290           |
| Other operating income                                                   | 20    | 183,779            | 189,431             |
| Change in inventories of finished goods and work in progress             | 11/20 | 26,837             | 29,784              |
| <b>OPERATING EXPENSES</b>                                                |       | <b>(3,602,483)</b> | <b>(2,910,627)</b>  |
| Consumption of raw materials and secondary materials                     | 11    | (2,370,392)        | (1,909,050)         |
| Employee benefit expense                                                 | 22    | (605,147)          | (551,363)           |
| Depreciation, amortisation and impairment                                | 6/7/8 | (186,633)          | (163,132)           |
| Other operating expenses                                                 | 21    | (440,311)          | (287,082)           |
| <b>OPERATING PROFIT</b>                                                  |       | <b>446,739</b>     | <b>401,878</b>      |
| Finance income                                                           | 23    | 29,575             | 24,479              |
| Finance costs                                                            | 23    | (59,972)           | (51,054)            |
| Net exchange differences                                                 | 23    | 6,273              | (1,462)             |
| Result of financial instruments at fair value                            | 9     | (12,778)           | (20)                |
| Share in profit/(loss) of joint ventures and associates                  | 9     | 11,432             | 6,971               |
| <b>PROFIT BEFORE TAX</b>                                                 |       | <b>421,269</b>     | <b>380,792</b>      |
| Income tax                                                               | 24    | (88,603)           | (88,347)            |
| <b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>                    |       | <b>332,666</b>     | <b>292,445</b>      |
| <b>PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX</b> | 13    | <b>9,554</b>       | <b>1,030</b>        |
| <b>PROFIT FOR THE YEAR</b>                                               |       | <b>342,220</b>     | <b>293,475</b>      |
| <b>PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>                  | 14    | <b>(42,100)</b>    | <b>(25,931)</b>     |
| <b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY</b>         |       | <b>300,120</b>     | <b>267,544</b>      |
| Earnings per share from continuing operations (euro)                     | 14    |                    |                     |
| - Basic                                                                  |       | 2.43               | 2.17                |
| - Diluted                                                                |       | 2.43               | 2.17                |
| Earnings per share from discontinued operations (euro)                   | 14    |                    |                     |
| - Basic                                                                  |       | 0.06               | 0.01                |
| - Diluted                                                                |       | 0.06               | 0.01                |

(\*) Re-casted financial information, see Note 3

(\*) Re-casted financial information

## MANAGEMENT REPORT FOR THE YEAR 2022

---

### **CIE AUTOMOTIVE, S.A.**

CIE Automotive, S.A., parent company of CIE Automotive Group, came into existence in 2002 as a result of the merger of two business groups, Egaña and Aforasa. Following the merger between Acerías y Forjas de Azcoitia, S.A. (transferee) and Egaña, S.A. (transferor), the former took CIE Automotive, S.A. as its registered name. Since then, CIE Automotive, S.A. has become a financially solid Group with global presence.

The shares of CIE Automotive, S.A. are traded on the continuous market of Madrid and Bilbao Stock Exchanges.

This management report has been prepared following the guidelines of the "Guide to recommendations for the preparation of management reports for listed entities", published by the CNMV in July 2013.

### **1. CIE AUTOMOTIVE GROUP**

#### **1.1 Profile of the Group**

CIE Automotive (from now on, "CIE" or "The Group", interchangeably) is an industrial group specialist in high value-added processes, which develops its activity in the Automotive components business.

The business of Automotive components, which encompasses the design, production and distribution of integral services, components and sub-assemblies for the global automotive market, is CIE Automotive's main activity since its foundation.

CIE Automotive is an international industrial group that manages high added value processes. This concept of high value is applied in management, with a comprehensive vision in all phases of the value chain of sectors with good long-term projection.

CIE Automotive designs and manufactures components and subassemblies globally in 113 production centres. It owns plants in 109 different locations, which are spread over 16 countries on 4 continents, multi-location being the option chosen for the internationalization process, based on decentralized management and led by local teams.

#### **1.2 Business units – auto parts**

CIE is a comprehensive services supplier, components and sub-assemblies for the Automotive market.

It develops its entire line of products through seven basic processes or technologies: machining, stamping and tube forming, forging, plastic, aluminium injection, steel casting and ceiling systems. With them, components and subassemblies are manufactured for all parts of a vehicle, such as: engine and transmission, chassis and steering assemblies, and exterior and interior of the vehicle.

For 25 years, after its creation in 1996 and integrating more than a hundred companies, CIE Automotive's progress as a components and sub-assemblies supplier for the Automotive industry has been driven by cycles of economic prosperity and hampered by others of crisis, which the Group has overcome and avoided as a result of the features that define its business model: geographical balance, commercial diversification, multi-technology, investment discipline and decentralized management and integration of ESG standards.

#### **1.3 Mission, Vision, and Values**

##### **Mission**

CIE Automotive is a supplier of components, assemblies and sub-assemblies to the global Automotive market, global supplier with presence in 4 continents and multi-technological for its action based on the use of 7 technologies, complementary and various associated processes as well as with an integrated vision of the entire value chain.

## MANAGEMENT REPORT FOR THE YEAR 2022

---

We are a team committed to an automotive project that grows steadily and profitably with the aim of positioning ourselves as a benchmark partner by meeting our customers' needs through innovative, competitive, end-to-end, high value-added solutions.

We seek excellence adding value to our stakeholders through the following commitments:

- Continuous improvement of processes and efficient management guaranteeing quality and service.
- Encouraging participation, involvement and motivated teamwork in a pleasant, safe work environment.
- Transparency and integrity in everything we do.
- Respect for the environment and a commitment to improving our environmental record.

### **Vision**

We aspire to being a benchmark industrial group specialised in managing highly value-added processes supplying the best solutions for the mobility of the future. Moreover, we strive to be the paradigm of a socially-responsible company through our permanent commitment and our responsibility with the consequences and impacts derived from our actions to:

- People and their fundamental rights.
- The climate change, fostering initiatives which translate into greater environmental responsibility.
- Value creation.
- Stakeholder collaboration.
- Management excellence.

We aim to be a reference:

- In the value chain for our Environmental, Social and Governance commitment (ESG).
- In eco-innovation and eco-design.
- In quality and service.

### **Values**

Honesty, fairness and integrity are the basis of all our values

At CIE Automotive we attach importance to people, their families and their environment.

- Respecting their fundamental rights and promoting equality.
- Providing them with fair and safe working conditions.
- Fostering their initiative, creativity and originality, their engagement and teamwork, their ability to achieve objectives and add value and their openness to change and continuous improvement.

At CIE Automotive we give importance to and act in favour of climate change:

- Taking a preventative approach.
- Promoting the circular economy to minimise any adverse impact.
- Promoting the efficient use of natural resources.

At CIE Automotive we attach importance to transparency in management:

- Promoting responsibility, integrity and commitment to a job well done.



## MANAGEMENT REPORT FOR THE YEAR 2022

---

- Disclosing in a clear manner all information of relevance to our activities so that it is known and understood.

At CIE Automotive we attach importance to our stakeholders:

- Promoting honest relations through active listening.
- Respecting their rights.

At CIE Automotive we attach importance to compliance by respecting national and international regulations.

### **Corporate policies**

The company promotes the creation of working teams to develop specific aspects of its Corporate Governance System in where authorised representatives of the interest group affected in each case, professionals of the Company and experts external in the matter of the highest level participate.

To develop its mission and advance on its vision, CIE Automotive guides its actions in accordance with its corporate values, based on which it has created a series of Corporate Policies, mandatory for all members of the organisation, approved for the first time by the Board of Directors in December 2015 and which have since been reviewed, updated and approved again, mostly between 2019 and February 2021.

The ethical framework is developed in this series of corporate policies prepared by each of the responsible departments, being mandatory for all members of the company and which are structured into:

#### Environmental, Social and Governance Policies (ESG)

- Environmental, Social and Good Governance (ESG)
- Purchasing
- Supplier ESG commitment
- Human rights
- Anti-corruption and anti-fraud
- Community work

#### Governance policies

- Internal control over financial reporting (ICFR)
- Risk control and management
- Corporate governance
- Director remuneration
- Tax policy
- Reporting to and communicating with shareholders and the market
- Shareholder remuneration policy
- Director selection and board diversity policy
- Recruitment and account auditor's relations policy
- Compliance and prevention of criminal risk policy

## MANAGEMENT REPORT FOR THE YEAR 2022

---

### 2. EVOLUTION OF THE BUSINESS OF CIE AUTOMOTIVE, S.A.

The Company CIE Automotive, S.A., as the parent company of the CIE Group, has as main income the render of services to the different subsidiaries of the Group, the interests received from the financing provided to the Group's subsidiaries and the income from dividends received from these subsidiaries.

The main variation in the turnover of CIE Automotive, S.A. is due to the increase in the render of services to subsidiary companies by €17.6 million, after the recovery of the results of the subsidiaries in a record year in all its territories. Dividend income for the year increased by €17.2 million. The increase of finance income accrued related to intercompany credits amounting to €10.6 million is directly related with the market interest rate increases.

Other operating income and expenses have not varied significantly.

The main variation of the financial net income amounting to €18.9 million of higher expenses compared to the year 2021, relates to the expense on the valuation of assets and liabilities at their fair value amounting to €12.6 million, being the remaining variation related to the increase of interest expenses of finance agreements after the increase of market interest rates.

#### 2.1 Summary of the year

##### **Economic context**

This very year 2022 has been affected once again by a very complex health, macroeconomic and sectoral situation, worsened by the Russian invasion of Ukraine in February 2022. At the sectoral level, automotive companies continue to face complications that are already being overcome, but aggravated in this economic and social context: increase in energy prices, disruptions due to the lack of semiconductors, scarcity and increase in the cost of essential materials for the manufacture of vehicles and increase in labour costs.

Additionally, demand is being impacted by uncertainty about the future of the global economy, inflation and the rise in interest rates for the purchase of vehicles. As a result, the global industry has not been able to replenish expected pre-pandemic production levels.

Thus, the automotive sector has maintained production and sales low, closing the year with 82 million vehicles manufactured, 6.7% more than in 2021 ( 7.4% less than in 2019, this being the last pre-covid year) , and lower demand with global sales below 79 million vehicles, 2% less than in 2021 (12,5% less than 2019).

Although the geopolitical framework derived from the Russian invasion of Ukraine and the possible global recession have conditioned the evolution of the global automotive sector in 2022, it has impacted different in the automotive markets. Europe and, to a lesser extent, the United States have been mainly affected by inflationary tensions and economic uncertainty, while other regions such as China, Brazil or India have been able to recover growth after overcoming new interruptions in activity due to the effects of COVID-19 in the first half of the year.

## MANAGEMENT REPORT FOR THE YEAR 2022

---

Europe has been the weakest performer for the automotive industry with production dropping by 1.3% to 15.4 million vehicles produced. The conflict in the Ukraine has skyrocketed the costs of energy, transport and inputs, this coupled with the shortage of semiconductors and the stoppage of Russian plants, has caused a sharp contraction in manufacturing.

Vehicle production grew in the United States and Mexico by 13.1%, to 13.8 million vehicles produced. However, despite strong demand, high prices and the level of inventories, vehicle manufacturing is still not at pre-pandemic levels.

In the case of Brazil, the market has shown a sequential month-on-month improvement, closing the year with 2.2 million vehicles produced, 5.1% more than last year, although still 22% below pre-pandemic volumes.

On the other side of the Earth, the Indian vehicle manufacturing activity has increased by 23.5% in 2022, to 5.1 million, which places it as the fourth world producer of automobiles. These data are especially remarkable considering that the Indian market already reached pre-covid levels in 2021. The keys to this notable rise are the combination of a very low level of motorization, an incipient and growing middle class, a strong post-pandemic dammed demand and a more standardized offer, with fewer disruptions in the supply chain.

China has maintained growth of 6.3% despite the confinements decreed during the year due to its COVID 0 policy. The automotive sector, which had already recovered pre-pandemic levels in 2021, did not suffer from the bottlenecks of other geographies and, in addition, it was helped by the incentives for the purchase of automobiles decreed by the Government to revitalize a critical sector in the country's economy.

### **Performance of the Group**

The year 2022 has been a record year for CIE Automotive. Despite the difficulties in the automotive sector, still fragile due to the consequences of COVID-19, to which factors such as the impact of the rise in inflation on the costs of raw materials and energy or the escalation of interest rates, CIE Automotive has broken its all-time record for revenue and profits in 2022.

In this complex environment, revenue reached €3,838.6 million, 24.1% above those of 2021 and the net result has risen 12% compared to the previous year to exceed €300 million, all this with the achievement of healthy operating margins even in the scenario of the increase in the cost of inputs and the energy crisis, demonstrating the solidity of the business model and the success of the operating strategy in progress.

All lines of the income statement reveal the good progress of the business. Thus, the gross operating result (EBITDA) rose by 12.1%, to reach €633.4 million, while the net result (EBIT) rose by 11.2%, to €446.7 million.

In December 2022, CIE Automotive's Board of Directors approved the strategic decision to discontinue forging activities in Germany with an eye toward the future. This business was integrated in 2013, within the framework of the alliance with Mahindra&Mahindra; and has been achieving satisfactory results in this period and in continuous improvement of its performance. Its focus on the European truck market and the current energy situation, especially gas in Germany, and given that said business is not CIE Automotive's core-business for these reasons; they have motivated the divestment decision with the objective of redirecting financial and management resources to businesses with a higher return; including other geographies with greater growth potential and other technologies with greater demand from our customers in the context of the industry's mega-trends (decarbonization, lightening the car, comfort...).

Thus, it should be noted that, in accordance with accounting regulations, and following the decision to put the German forging business up for sale, all the companies in the business CIE Forging Germany GmbH and its subsidiaries to interrupted activities, therefore, for comparability purposes, the evolutions are presented in the corresponding lines considering said interruption.

## MANAGEMENT REPORT FOR THE YEAR 2022

---

The strong dynamism of revenue, 9.7 points above market growth, and the maintenance of margins would be largely due to the absorption of market share from smaller competitors, who have been able to overcome the difficulties of the environment. Apart from the consolidation of the market, several factors would explain the good results: the repercussion of a large part of the increase in inputs on customers, thanks to the incorporation of pass-through clauses in the contracts; the commitment to local supply to avoid transport costs and logistical problems; the increase in efficiency in processes, with very low consumption in manufacturing; the strict control of investments in maintenance and capacity, and decentralized management.

This year 2022, all the geographical areas and divisions have contributed to the good results of the group, with double-digit margins, despite the difficult situation. By geographies, the summary for the year 2022 is as follows:

### Europe

It is the main market for CIE Automotive with a presence in Spain, France, Germany, Italy, Portugal and the United Kingdom in Western Europe and the Czech Republic, Lithuania, Romania, Slovakia and Russia in Central and Eastern Europe. It also has a plant in Morocco. In this market, it brings together the production plants of the MCIE group, with a strong link to the industrial vehicle, and discontinued in this financial year 2022, and the historical plants of CIE, linked to the passenger vehicle.

Sales of CIE Automotive in Europe stand at €1,308.7 million, a figure that represents an increase of 18.9% compared to 2021, excluding discontinued German forges in both years, quite an achievement given the decline in the market caused due to the war context, which has affected the rise in energy and transport prices and caused interruptions in vehicle production due to the closure of the Ukrainian wiring factories, and the persistence of the semiconductor chip crisis. The evolution is even more outstanding, if one also takes into account that Europe includes the Aluminum divisions, the most energy-intensive, and the Machining, Forging and Plastic divisions.

Despite this difficult situation, margins have remained in double digits, thanks to the inclusion of raw material pass-through clauses in the contracts and the negotiation to pass on the increase in energy costs to customers. All segments have benefited from the consolidation of the components sector in the face of the disappearance of the most fragile suppliers, without being oblivious to the effects of the war and the uncertainty caused by a possible recession and a rise in interest rates among the possible vehicle buyers.

The traditional market plants achieve an EBITDA of 13.1% and an EBIT of 5.7%, while those of Mahindra CIE without considering the German forges present an EBITDA margin of 14.6% and an EBIT margin of 11.3 %.

### North America

CIE Automotive has production centers in both Mexico and the US, which serve the North American light vehicle market and, to a lesser extent, Brazil, Europe and Asia.

In 2022, the North American plants reach a turnover of €1,139.6 million, 30.6% more than in 2021. The good results are more notable given the increase in labour costs and the lack of personnel qualified staff available, which has led CIE Automotive to increase the automation of its plants. The efficiency measures adopted at CIE's plants in Mexico and the United States have been key to raising CIE Automotive's margins, which remain at levels similar to those prior to the pandemic, despite the fact that sales continue to be weighed down by weakness demand and supply bottlenecks (EBITDA margin 18.6% and EBIT 14.1%).

## MANAGEMENT REPORT FOR THE YEAR 2022

---

### Brazil

CIE Automotive's Brazilian plants focus on the manufacture of plastic components, stamping, forging, iron casting, aluminium injection, and machining, being especially competitive in plastic technology, body-colour painting, and chrome plating.

In 2022, CIE Automotive records sales of €311.2 million in Brazil, 44.1% more than in 2021, with an EBITDA margin of 18.7% and EBIT of 14.9%, facing a complex situation (unemployment, interest rate growth, political instability...), in which the demand for SUVs and pickups has remained strong, implying long waiting lists.

### Asia

The Group has several plants in Asia, a joint venture and a technology centre. Its presence in India comes from the alliance with the Indian group Mahindra & Mahindra Ltd., while its presence in China was strengthened with the incorporation of companies from Golde's sunroof business. India is one of the development engines of the region and China, the world's leading car producer.

In India, CIE Automotive has billed €634.3 million in 2022 (36.8% more) while maintaining high operating margins (EBITDA 16.3% and EBIT 12.4%). The company has been able to take advantage of the strength of the demand, reactivated after the semiconductor crisis, and driven by the Hindu festivals after two years without being celebrated. The excellent margins would also be related to the measures adopted to improve efficiency.

In China, CIE Automotive's sales grew by 1.1% to €444.8 million, with high EBITDA (18.7%) and EBIT (15.1%) margins, in a market with solid growth, but still weak due to the COVID 0 policy, thanks in part to vehicle purchase incentives. Despite the company's good results, its behaviour has been less dynamic than that of the market, due to less exposure to Chinese OEMs, which are driving the market.

### **SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR**

On 2<sup>nd</sup> February 2023, the Group has announced the acquisition of 100% of the share capital of the company Iber-Oleff Brasil, Ltda. for €20 million approximately.

With close to 400 employees and revenue amounting to €25 million in 2022, Iber-Oleff Brasil is located in Sao Paolo, and is specialized in the manufacture of plastic components for vehicle interiors, integrating into its injection processes, welding, painting, laser and assembly.

The closing of the operation is subject to compliance with the usual conditions to which these types of transactions are subject to.

## MANAGEMENT REPORT FOR THE YEAR 2022

---

### 2.2 Predictable evolution of the Company

The evolution of the businesses in future years is directly subject to the evolution of the geographic markets in which the subsidiaries of CIE Automotive, S.A. operate. In this sense, and as detailed in the Consolidated Management Report, it is not expected that 2023 and future years will be significantly impacted by the global macroeconomic situation and its subsequent effects.

With a view to 2023, and taking into account a gradual recovery of the market, the Group will rely on the axes of its business model in order to achieve the following strategic objectives:

- Consolidate the additions of recent years
- Ensure the normalization of productions in accordance with market forecasts.
- Maximize the efficiency of margins and profitability in all geographic areas.
- Maintain its high degree of operating cash generation by reducing the leverage ratio.

### 2.3 Business Strategy

In 2021, CIE began rolling out its 2025 Strategic Plan, a new comprehensive strategy to respond to automotive market trends and stakeholder concerns, and which sets the objectives to be followed in all aspects of its activity.

This 2025 Strategic Plan establishes for the first time a series of global commitments in Environmental, Social and Good Governance matters, to which all the Group's plants must contribute under the encouragement and supervision of the corporate cross-sectional areas.

For the coming years, and supported by this 2025 Strategic Plan, CIE has a project underway to advance sustainable profitability. The objectives set and financial commitments of this strategic plan are described below and take into account the evolution of the main trends in the automotive market. The main lines of this plan are:

- Strategic operational plan. The commitments of the new strategic plan seek to turn CIE into a group with €1,000 million in EBITDA and €500 million in net income, with an investment of €1,500 million in inorganic growth without exceeding twice its net financial debt/EBITDA ratio.

The operational strategy will revolve around the following lines of work:

- Electrification: The obvious trend towards electric cars has led CIE Automotive to increase its presence in electrified powertrains in order to position itself in the market with new components with high added value, mainly related to the engine and power electronics, gearboxes and batteries. Likewise, this objective that the Group sets is directly related to the mitigation of environmental impact and is part of the path to follow to help minimize its impact on climate change.
- Industry 4.0: CIE Automotive, in its search for intelligent manufacturing, develops and implements different industry 4.0 tools, which interact and provide feedback to each other, as well as sensitization capabilities, which allow it to capture data and analyse it through algorithms. This will result in an increase in the efficiency of the processes, reducing the use of resources and their environmental impact, achieving everything from a reduction in the number of prototypes to be made, energy consumption and raw materials, to the rejection and generation of scrap.
- Comfort: CIE Automotive's roof division works in a growing market, supported by the development of electric and autonomous driving.
- Internationalization: Throughout its history, CIE Automotive has expanded its geographical locations to become a leading global supplier in all the regions in which it operates and each of the automotive markets.

## MANAGEMENT REPORT FOR THE YEAR 2022

---

This geographical positioning is a guarantee for success and will continue to strengthen day by day, with an increasingly balanced presence between the different regions, gaining weight in areas with the greatest growth potential such as China, India, Mexico or Brazil. The company has a global technological vision, but adapts the specific strategy of each of its divisions to the different geographical areas, depending on the reality of the different markets.

- The ESG 2025 Strategic Plan, published in November 2021, represents the successful integration of Environmental, Social and Good Governance aspects into CIE's strategy. Four lines of work are defined across the organization:
  - o CIE Culture: Identify, promote, retain and attract talent through collaboration with universities and training centres in the area in new technologies. Actively participating in the planning and supervision of DUAL training challenges.
  - o Ethical commitment: Respect, compliance and development of the ethical framework. Alignment of their actions with the CIE Automotive Code of Conduct and application of equivalent ethical standards, including Anti-Corruption, Bribery and Conflicts of Interest.
  - o Eco-efficiency: Efficiency in production and improvement of environmental impact. The efficient use of materials has been the basis of CIE Automotive's sustainability and competitiveness for years. For this reason, the initiatives to improve the ratios of raw material use compared to the final weight of the product and the weight reduction of the components are core projects year after year of the technological road map.
  - o Active listening: Proactivity and continuous communication with our stakeholders in order to meet their expectations.

Based on the foregoing, CIE Automotive expects to continue in 2023 with the growth path of its results, as it has done year after year since its creation.

### **3. RISK MANAGEMENT**

CIE Automotive has a Risk Management System, which allows them to identify, evaluate and give response to eventual contingencies in the development of its activity, which, in case of materializing, might hinder the attainment of the corporate objectives.

This policy, whose supervision relapses into the Commission of Audit and Compliance, identifies the different types of risks that the company faces -between them, the financials or economics, the contingent liabilities and other risks out of the balance sheet-, fixes the level of risks that are considered acceptable and establishes the opportune measures to mitigate its impact in case it was materialized. To put it into practice, the company possesses informational systems and internal control.

The procedure of global management of CIE Automotive's risks is based on the methodology ISO 31000, a process of constant cycle in nine phases: communication, setting the context, risks identification, risk analysis, risk evaluation, risk treatment, risk supervision, updating and acting against non-compliance.

Annually, a Corporate Map of Risks is drawn, which contemplates and values not only the risks inherent to the countries, markets and businesses where it operates, also internal operation of the company.

## MANAGEMENT REPORT FOR THE YEAR 2022

---

### Risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and raw material price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Management, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

#### a) Market risk

##### (i) Foreign exchange risk

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection/payment flows in a currency other than the euro expected to materialise over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope would also apply to management if are expected to be recognised on the balance sheet within a period of no more than 18 months.

Once defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Current forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The protection against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.



## MANAGEMENT REPORT FOR THE YEAR 2022

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at 31<sup>st</sup> December 2022, the euro had been devalued/revalued by 10% with respect to all other functional currencies other than euro, all other variables remaining constant, equity would have increased/decreased by €287/€235 million (2021: increased/decreased by €268/€220 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had devalued/revalued by 10% in 2021 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €24.2/€19.8 million higher/lower, respectively (2021: €23.2/€19.0 million higher/lower, mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro).

If as of 31<sup>st</sup> December 2022, the euro had been devalued/revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the parent would have varied according to the following table:

|                | Equity<br>(million euros) |                   | Profit after tax<br>(million euros) |                   |
|----------------|---------------------------|-------------------|-------------------------------------|-------------------|
|                | Devalued euro 10%         | Revalued euro 10% | Devalued euro 10%                   | Revalued euro 10% |
| Chinese yuan   | 89                        | (73)              | 6.2                                 | (5.0)             |
| US dollar      | 79                        | (65)              | 10.2                                | (8.4)             |
| Indian rupee   | 61                        | (50)              | 4.3                                 | (3.5)             |
| Brazilian real | 38                        | (31)              | 4.5                                 | (3.7)             |

### (ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

### (iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

## MANAGEMENT REPORT FOR THE YEAR 2022

---

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group converts the benchmarked floating interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2022 the average interest rate on borrowings denominated in euro had been 100 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €12,100 thousand lower/higher (2021: €14,646 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

As of 31<sup>st</sup> December 2021, the Group had no interest rate hedging derivatives. As of 31<sup>st</sup> December 2022, in relation to the valuation of the derivatives, a 10-basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have decreased equity by €23/€86 thousand.

### **b) Liquidity risk**

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards).

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The Group's treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2022 will allow facing recurrent payments without increasing net financial debt.

The Group's treasury department monitors Group's liquidity needs forecasts in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Amounts payable to credit institutions in the short term include recurring loans over time amounting to €36.0 million with financial institutions used for the management of operating working capital (€4.6 million as of 31<sup>st</sup> December 2021). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at 31<sup>st</sup> December 2022 of €677 million of undrawn credit lines and loans (31<sup>st</sup> December 2021: €725 million).

## MANAGEMENT REPORT FOR THE YEAR 2022

---

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

Meanwhile, the Group's Management efficiently controls the payments for expenses and realization of current assets, carrying out an exhaustive follow-up of the treasury forecasts, in order to ensure that it has sufficient cash to meet the needs. operations while maintaining the availability of sufficient unused credit facilities at all times so that the Group does not breach the limits or indices ("covenants") established by the financing. Therefore, it is estimated that the generation of cash in 2022 will sufficiently cover the needs to meet the commitments in the short term, preventing any situation of tension in the cash position with the actions underway.

In the context of current macroeconomic and sectoral risks, the Group has estimated that the existing liquidity reserve as of 31<sup>st</sup> December 2022 is more than sufficient to meet future payment needs.

As a consequence of the above, it can be confirmed that there are no risks in the Group's liquidity situation.

### **c) Credit risk**

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary.

In addition, each management unit has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management historically deemed those receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss.

According to the entry into force of IFRS 9 of Financial Instruments, the Group has proceeded to estimate the expected loss in its commercial accounts receivable.

### **d) Raw material price risk**

The Group has not a significant risk in raw price variations. In these companies where the risk could exist in market specific situations (plants which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

## MANAGEMENT REPORT FOR THE YEAR 2022

---

### e) Climate risk factors

Recent years have highlighted the risks underlying climate change, and the potential impact they may have on financial statements.

The Corporate Department of Environment is responsible for establishing the guidelines and coordinating the actions of the Environmental Plan for plants, gradually integrating environmental criteria in the management of all processes, in its attempt to reduce their impacts on the environment.

In this sense, the Group had updated its Environment Policy in 2021, where it was recognized as aligned with the Sustainable Development Goals. Thus, the Group develops products and processes under eco-design concepts, oriented to efficiency, providing necessary resources in continuous improvement through prevention and preservation, the minimization of risks, the reduction of the environmental footprint, the efficient use of natural resources, the minimization of waste, the circularity of materials and the collaboration of the people involved in the processes. Moreover, the Group is aligned with the United Nations 2030 Agenda by establishing environmental objectives to be met by each of the plants and regions where it operates, based on the *Global Reporting Initiative* standards.

Additionally, in December 2022, the Board of Directors of the parent company took another step in its environmental strategy by approving a new roadmap that establishes new medium- and long-term objectives, consistent with what scientific experts and the Paris agreements dictate, and limiting global warming to 1.5°C above pre-industrial levels. Thus, the climate emergency has led the Group to continue strengthening its commitment to climate neutrality by joining the SBTi initiative and setting the clear objective of achieving emissions neutrality no later than 2050.

Below are the action plans established to address each of the climate-related risks that have an impact on the Group's Consolidated Annual Accounts.

#### The risks arising from the transition to low-carbon economies

The authorities and governments of different countries have implemented policies to fight against climate change that have affected differently in the different countries where the Group operates. Some of these policies have consisted of promoting sustainable energy consumption in industrial production through fiscal and operational incentives, while in other cases, the use of energies that have a direct impact on the climate has been penalized or stopped.

Regarding the automotive industry, it has been possible to reduce polluting emissions from vehicles, although the latest regulations to fight climate change – the most restrictive in Europe and China – are forcing manufacturers and their suppliers to implement additional solutions to reduce their environmental footprint. In recent years, the Group has been adapting its production process as well as the goods produced to a changing environment, demonstrating its ability to be prepared for the challenges offered by climate change risk.

The Group aims to anticipate the aforementioned measures, having launched certain action plans that allow mitigating in advance the impact of new policies, regulations and trends that climate change has entailed. The lines of work established for this have been the following, and have as main axes the actions on the goods produced and actions on their productive process.

## MANAGEMENT REPORT FOR THE YEAR 2022

---

### - Goods

In the context of a changing environment and increasingly aware of the effects of global climate change, the Group has been adapting the sale of its assets to new challenges in the climate and environmental field, and they are directly related to the latest trends in the automotive sector. In this sense, the Group is immersed in a technological transformation, aimed at reducing its corporate footprint, as well as the goods it produces. To achieve these objectives, the Group develops different technologies that provide the efficiency and flexibility necessary to face all challenges with changing volumes and scenarios.

Technological diversity also allows to focus investments on those technologies most demanded by the market in each circumstance. Currently, the market is betting on the electrification of vehicles and more than 80% of the components and subassemblies produced by the Group can be used in any type of vehicle (combustion, electric, hybrid). Despite this considerable percentage of versatility in the goods it produces, the Group has proposed to take advantage of the opportunity offered by the decarbonization of transport to position itself in new products of high added value. These products are related to the engine and power electronics, gearboxes and batteries.

This commitment to batteries has materialized in the investment made by the Group in the company Basquevolt, S.A. with an initial investment of €1.5 million.

Additionally, the Group's technological commitment to meet these environmental objectives focuses on the Eco-efficiency and circularity, the light-weighting of vehicles, the improvement of the user experience (noise reduction, light integration, ...), electric and autonomous vehicles and Industry 4.0 as a key to competitiveness and eco-efficiency, always aiming at the path towards the decarbonization of transport.

These actions are naturally linked to the reduction of environmental impact and mitigation of climate change. For those products that do not yet have a clear substitute in zero-emission vehicles, the Group has defined a strategy with different action plans.

Thus, the Group's spirit of adaptation and flexibility in the products it markets, together with the ability to always be aligned with new market trends, are the Group's main measure to address any market risks to its goods, as well as those that may arise from the transition to low-carbon economies.

### - Actions on the productive process

The environmental actions on the production process for the realization of the goods sold to the market have been the following:

- a) *Environmental Investments*: the Group adapts its production facilities to the conditions required by the environmental legislation of the countries where it is located. Consequently, the Group makes investments aimed at minimizing environmental impact, protecting and improving the environment; and incurs expenses derived from environmental actions, which basically correspond to the ordinary expenses for the removal of waste, consulting, measurements and environmental certifications (Note 27).

The adaptation and incorporation of investments that meet the most current environmental requirements implies a direct mitigation of the risk derived from the transition to low-carbon economies in the recovery of the value of their productive assets.

## MANAGEMENT REPORT FOR THE YEAR 2022

---

- b) *Energetic efficiency*: the improvement of energy efficiency is a priority objective for the Group, since it contributes to reducing its environmental impact, in addition to implying a direct improvement in competitiveness. The main lines of action consist of energy saving, and emission control. In this line, the Group contracts clean energy for the operation of its facilities wherever this option is available; and with the same philosophy of reducing their emissions and their energy bill, photovoltaic panels have been installed in different facilities in Europe, where, in addition, in 2022 new contracts have been signed for the supply of green energy for own consumption starting 2023; and India, where investment in new solar power plants has continued (Note 9).  
In this sense, it is expected that the action plans carried out by the Group in terms of efficiency will mean, in the medium and long term, an improvement in the margin on the goods it produces.
- c) *Water and material consumption*: in the Group's production process, an intensive use of water is carried out. In order to reduce discharges as much as possible, it has its own systems and facilities for water treatment, recirculation and recovery. With regard to raw materials, the Group constantly reviews all processes to make responsible use of raw materials. An example of these practices is the reduction of the gross weight of the products it manufactures, and that implies the reduction of the consumption of energy and other products necessary for the production process.  
As in the case of energy efficiency action plans, it is estimated that these actions will also improve the margins of the goods produced.
- d) *Pollution control and waste management*: the Group's environmental management systems are based on the ISO14001 standard, and ensure that pollution does not exceed the levels established by current regulations. On the other hand, the Group's recycling system allows the reincorporation of recycled raw materials into its production process. Those materials that cannot be recycled are collected by specialized managers who prioritize their recycling over their landfill.

### The risk of the impact on the margins of adaptation to low-carbon economies

Cost pressure can occur on car producers. During the deployment phase of more sustainable vehicles, the final cost will be higher and, to maintain sales volumes, there is a risk of increased cost pressure on component suppliers.

Faced with this type of scenarios and risks, the Group's model is very effective. Commercial diversification makes dependence on a project or its renovation low, so the freedom to invest in projects is key. To this is added another of the axes of the group, the investment discipline, which leads to a detailed analysis of the projects with volume sensitivity analysis, avoiding those projects with volumes lower than those initially announced have a definitive impact on the returns of the projects.

### The direct physical risk posed by climate change in the production process and operations of a business

As of 31<sup>st</sup> December 2022 and 2021, the Group's production facilities, as well as the customers to which it provides, were not located in areas or geographical areas where an imminent climate risk is foreseen.

However, the Group is aware of the unpredictability of the effects of climate change and monitors the impacts that any adverse circumstance may generate in the valuation of the Group's assets, and therefore, in its Consolidated Financial Statements. In this sense, the Group is exposed to physical risks whose possible impacts it manages depending on the typology of each of them:

- a) *Water stress risks*: are the risks that can result in the lack of water supply.
- b) *Acute physical risks*: are the risks arising from the occurrence of acute climatic phenomena. These accidental risks are covered by the global Civil Liability policy. To strengthen the management of environmental and safety risks, the Group has initiated a collaboration project with the technical departments of its insurance companies, where risks are evaluated and monetized and an elimination plan is established, or where appropriate, mitigation.

## MANAGEMENT REPORT FOR THE YEAR 2022

- c) *Chronic physical risks*: they are risks that cause gradual changes with more lasting impact, such as rising average temperatures, rising sea levels or prolonged periods of heat.  
Although the Group's production facilities are not directly threatened by the effect of these chronic physical risks, there are environmental objectives established to be met in all the plants and regions where it operates.
- d) *Protection of biodiversity*: due to the location of its production facilities, mostly in industrial estates, the impact of its activities on biodiversity is not considered significant.

### 4. ENVIRONMENT

CIE Automotive is strongly committed to environmental sustainability, this being a priority in the development of its activities and its business strategy. Climate change is a challenge on which CIE has been working proactively for years on its path towards climate neutrality through various initiatives that have a positive impact on reducing its environmental footprint.

The Environment Chapter of the Non-Financial Information of this Report sets out the objectives, strategies and lines of work carried out in the area of environmental management of the Group.

### 5. HUMAN RESOURCES

People contribute one of the main assets of CIE Automotive, which bases its culture on values such as equality, diversity, equity, inclusion, teamwork and talent development.

The distribution of the staff and members of the Board of Directors as of 31<sup>st</sup> December 2022 and 2021 between women and men of the Company is as follows:

|                                      | 2022      |           |           | 2021      |           |           |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                      | Women     | Men       | Total     | Women     | Men       | Total     |
| Directors                            | 5         | 9         | 14        | 5         | 8         | 13        |
| Executives                           | 4         | 4         | 8         | 4         | 4         | 8         |
| University graduates and specialists | 27        | 29        | 56        | 28        | 31        | 59        |
| <b>TOTAL</b>                         | <b>36</b> | <b>42</b> | <b>78</b> | <b>37</b> | <b>43</b> | <b>80</b> |

(\*) As of 31<sup>st</sup> December 2022 and 2021, two members of the Board of Directors are, equally, executives of the Group.

In the specific section of the Annual Report that forms part of this Report details all the information relating to the Group's workforce.

### 6. R&D ACTIVITIES

CIE Automotive is proactive in technological transformation and decarbonization to reduce its product and corporate footprint, in accordance with market trends. With this purpose, it works in different lines to materialize the opportunities generated by the current scenario and mitigate or eliminate the risks that arise.

Especially relevant are the new technologies in the plants that provide the flexibility, agility and reaction capacity necessary to face all the challenges with changing volumes and scenarios. CIE Automotive is immersed in a technological transformation focused on the reduction of consumption and emissions, committed to the decarbonization of transport with its participation in the start-up of Basquevolt, S.A., an initiative for the production of solid state batteries.

#### 2022 work lines

The Group has continued to develop initiatives in the short, medium and long term, so that some of them are already reaching the market and others will gradually leave. Work in the technology area is entrusted to the 2025 Strategic Plan and develops five of the eight lines of action set

## MANAGEMENT REPORT FOR THE YEAR 2022

- Vehicle lightness: reduction of the auto parts weight has a direct impact on its consumption and therefore, both in the emissions of combustion vehicles and autonomy of electric vehicles. CIE develops R&D and engineering projects in search of their maximum optimization.
- Electrification: technological progress in this area positions CIE Automotive as a key agent in mitigating environmental impact and is part of the way forward to help minimize climate change.
- Comfort: the line of innovation for the incorporation of circularity criteria through the use of new materials based on natural fibres and with a higher percentage of recycled material has an important market in the area of comfort and is linked, in turn, to the eco-efficiency.
- Industry 4.0: Sensorisation, capture, analysis and visualization of the parameters of the critical process variables.
- Eco-efficiency: the efficient use of materials, which has been the basis of the Group's sustainability and competitiveness for years.

As a prominent member of the automotive components industry, CIE Automotive works for a fair and responsible organization of its activity for the benefit of the sector, its interest groups and society.

As a consequence, the Group maintains its presence in regional, national and international forums (Presidency of the Automotive cluster of the Basque Country ACICAE, members of the board of directors of the National Association of component manufacturers SERNAUTO, members of the executive committee of the TECNALIA technology centre, we continue to participate in the CLEPA, EGVIA, etc. R&D&I Industrial forums).

### 7. TRADING WITH TREASURY SHARES

The balance of existing treasury shares in the Parent Company at the end of 2022 amounted to 2,919,127 shares. As of 31<sup>st</sup> December 2021, 15,244 treasury shares were held by the Company.

The movement of treasury shares in 2022 was as follows:

| 31 <sup>st</sup> December 2022 |                  |                                |
|--------------------------------|------------------|--------------------------------|
|                                | Number of shares | Amount<br>(Thousands of euros) |
| <b>Initial Balance</b>         | <b>15,244</b>    | <b>401</b>                     |
| Acquisitions of the year       | 3,346,121        | 71,391                         |
| Sales for the year             | (442,238)        | (11,466)                       |
| <b>Ending Balance</b>          | <b>2,919,127</b> | <b>60,326</b>                  |

During 2022, the Company has acquired a final amount of 59,925 treasury shares directly, with an ending balance of 2,919,127 shares (reaching 2.38% of the total voting rights issued by the Company), which are added to the indirect participation resulting from the equity swap agreement signed in the year 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights). During 2021, the Company acquired a net amount of 15,244 own treasury shares directly (0.01% of the total voting rights issued by the Company), which were in addition to the indirect participation resulting from the equity swap agreement signed in 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights).



## MANAGEMENT REPORT FOR THE YEAR 2022

Under this authorization framework, on 16th March 2022, the Company's Board of Directors resolved to terminate the liquidity agreement entered into in 2021 and to approve a program to repurchase the Company's own shares in order to reduce up to a maximum of 5% of the Company's share capital through the redemption of own shares, reserving the right to terminate this program prior to the expiration date in accordance with the agreed terms.

Also, the mandate conferred by the Shareholders' Meeting held on 28<sup>th</sup> April 2022, by virtue of which the Board of Directors of the Company is empowered to acquire, at any time and as many times as it deems appropriate, shares of CIE Automotive, S.A., by any means permitted by law, including with a charge to profit for the year and/or unrestricted reserves, and to subsequently dispose of or redeem such shares, all accordance with article 146 and concordant of the Capital Companies Law, until 28<sup>th</sup> April 2027.

### 8. AVERAGE PAYMENT PERIOD TO SUPPLIERS

The breakdown of trade payables settled during 2022 and 2021 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of 5<sup>th</sup> July, is as follows:

|                                     | Days |      |
|-------------------------------------|------|------|
|                                     | 2022 | 2021 |
| Average payment period to suppliers | 54   | 57   |
| Paid operations ratio               | 66   | 65   |
| Outstanding operations ratio        | 47   | 49   |

|                      | Thousand euros |       |
|----------------------|----------------|-------|
|                      | 2022           | 2021  |
| Payments made        | 8,354          | 7,779 |
| Outstanding payments | 13,403         | 7,755 |

Additionally, and in accordance with the obligations required in the Spanish Law 18/2022 on creation and growth of companies, it is reported that the total amount of payments made in before than the maximum established by Law 5/2010 has amounted to €5,435 and 1,124 invoices, which represent 65% of the total payments made and 65% of the total invoices.

### 9. STOCK EXCHANGE INFORMATION

#### Listing price

In 2022, the CIE Automotive share has continued to be affected by the distrust of the markets towards securities related to the automotive industry. The Russian invasion of Ukraine brought the value of the shares to 18.97 euros per share and, although it gradually recovered positions, the year ended with a price of 24.06 euros per share, below 27.36 euros of the previous year (-12.07%).

Although CIE Automotive's stock market performance in 2022 is better than that of the European index —Stoxx Europe 600 Automobiles & Parts, which has registered a 20% drop—, it is worse than that of the average of the Ibex 35 companies and does not correspond to the record results presented quarter by quarter nor with the reliability demonstrated throughout its more than 25 years of history. Proof of this inconsistency is that the target value given by analysts who follow CIE Automotive has remained above its price throughout the year. At the end of the year, the market consensus places the target price at 29.08 euros per share.

#### Shareholder remuneration

In a complex year for the financial market, CIE Automotive has wanted to compensate its shareholders for the gap between its real value and its price by investing more than €200 million in operations aimed at increasing their remuneration.

## MANAGEMENT REPORT FOR THE YEAR 2022

---

On the one hand, in 2022, the company has distributed €87 million, paid in two payments of €0.36 gross per share. With these 0.72 euros, the dividends were close to pre-pandemic levels, close to 0.74 euros per share charged to 2019 and well above 0.50 charged to the 2020 financial year.

Along these same lines, the Board of Directors approved the distribution of an interim dividend of 0.41 euros gross per share against the results of the 2022 financial year, effective in January 2023.

Thus, in addition to distributing a third of its 2021 net profit, it launched a program to buy back its treasury shares to reduce share capital and increased its stake in MCIE through the purchase of minority interests. These corporate operations reflect CIE Automotive's strategy of investing, not in the acquisition of new companies, but in organic growth and maximizing shareholder remuneration.

### **10. ANNUAL REPORT ON CORPORATE GOVERNANCE AND REPORT ON REMUNERATION TO DIRECTORS**

In order to guarantee transparency, both the legal framework defined by the Group as well as the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration are available on the corporate website [www.cieautomotive.com](http://www.cieautomotive.com), in line with the technical specifications and legal regulations established by the National Securities Market Commission in its Circular 3/2015, of June 23.

Additionally, considered as part of this Management Report, both the Annual Corporate Governance Report and the Annual Directors' Remuneration Report are incorporated by reference and may be consulted on the website of the National Securities Market Commission after being published by the Group:

<https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=1&nif=A-20014452>

<https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-20014452>

**CIE Automotive, S.A.**  
**and subsidiaries**

Auditor's report,  
Consolidated annual accounts at 31 December 2022  
and Consolidated management report



*This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

## Independent auditor's report on the consolidated annual accounts

To the shareholders of CIE Automotive, S.A.:

### Report on the consolidated annual accounts

---

#### Opinion

We have audited the consolidated annual accounts of CIE Automotive, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2022, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2022, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

---

#### Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

---

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p data-bbox="313 436 548 464"><b>Recovery of goodwill</b></p> <p data-bbox="313 493 868 720">The Group's goodwill represents a substantial part of its assets, amounting to € 1,827,378 thousand at year-end. As indicated in notes 4.1.a) and 8 to the accompanying consolidated annual accounts, the Group carries out tests on the recovery of the amounts recorded under this consolidated balance sheet heading on an annual basis.</p> <p data-bbox="313 749 868 1123">Such impairment testing is based mainly on estimated cash flows of the cash generating units (value in use) to which the assets analyzed relate and therefore require that Group management makes judgements and significant estimates. These estimates include, among others, expectations regarding sales and future margins, growth rate projections, estimates of discount rates to calculate the present value of cash flows (WACC - Weighted average cost of capital), etc. The most important assumptions used by the Group in its analysis are summarized in note 8 to the accompanying consolidated annual accounts.</p> <p data-bbox="313 1152 868 1266">Deviations in these rates and estimates trigger significant variations in the calculations performed and therefore in the analysis of the recovery of goodwill.</p> | <p data-bbox="893 493 1450 665">First, we gained an understanding of the internal process used by Group management to test goodwill for impairment, verifying the calculation criteria applied for consistency and the methodology of value in use established in the applicable regulations.</p> <p data-bbox="893 695 1450 1068">For cash flows, we verified not only the calculations made but we also compared the projected annual cash flows, based on the plans and budgets approved by Group management, against those actually obtained, and we analyzed the key assumptions used to determine the growth rates and forecast future margins, verifying them against available comparables and analyzing, if appropriate, their reasonableness using available third-party contracts or agreements. The discount rates applied (WACC) were assessed with the collaboration of our firm's expert team.</p> <p data-bbox="893 1098 1450 1270">For the sensitivity analyses disclosed in the notes to the accompanying consolidated annual accounts, we verified the reasonableness of the calculations made and the coherence of the variations and assumptions taken into account with respect to reasonably possible changes.</p> <p data-bbox="893 1299 1450 1522">As a result of our analyses and tests performed, we consider that Group management's conclusion concerning the absence of impairment of goodwill, the estimates made and the information disclosed in the accompanying consolidated annual accounts are adequately supported and are consistent with the information currently available.</p> |

| Key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p data-bbox="313 436 669 464"><b>Recovery of deferred tax assets</b></p> <p data-bbox="313 495 846 695">The Group recognizes deferred tax assets amounting to € 198,003 thousand as non-current assets at year-end (notes 3.3.18.b), 4.1.c) and 18 to the accompanying consolidated annual accounts), recovery of which depends on the generation of taxable income in future years.</p> <p data-bbox="313 726 821 806">Recovery of these deferred tax assets is analyzed annually by the Group by estimating the tax bases for the next years.</p> <p data-bbox="313 837 829 1066">The estimation of future tax bases is based on the business plans of the different Group companies and the planning possibilities permitted under applicable tax legislation, considering in each case, the different consolidated tax groups in which the Group companies are taxed (note 3.3.18.a) to the accompanying consolidated annual accounts).</p> <p data-bbox="313 1098 834 1297">Therefore, the conclusion concerning the recovery of the deferred tax assets recognized on the consolidated balance sheet is subject to judgments and significant estimates by Group management with respect to both future tax results and applicable tax legislation in the different jurisdictions in which it operates.</p> | <p data-bbox="873 495 1446 751">On the basis of the business plans, which are based on the plans and budgets approved by Group management, we compared annual projected flows with real flows obtained and analyzed the key assumptions used to determine growth rates and forecast future margins, comparing them against available comparables and analyzing if appropriate, their reasonableness using available third-party contracts or agreements.</p> <p data-bbox="873 783 1430 924">On the other hand, we gained an understanding and assessed the criteria used by the Group's tax management to estimate the possibility of using and recovering deferred tax assets in subsequent years, in light of the business plans.</p> <p data-bbox="873 955 1438 1123">As part of these analyses, with the collaboration of our tax experts, we reviewed the tax adjustments taken into account to estimate taxable income, applicable tax legislation and the decisions concerning the possibilities of using applicable tax benefits with respect to the Group companies.</p> <p data-bbox="873 1155 1443 1379">The analyses performed permitted us to verify that the calculations and estimates made by the Group and the conclusions reached in relation to the recognition and recovery of deferred tax assets are consistent with the current situation, with expectations of the future results of the Group and its individual companies and with the tax planning possibilities based on current legislation.</p> |

---

**Other information: Consolidated Management Report**

---

Other information comprises only the consolidated management report for the 2022 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

- a) Verify only that the consolidated statement of non-financial information and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

---

**Responsibility of the directors and the audit committee for the consolidated annual accounts**

---

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

---

**Auditor's responsibilities for the audit of the consolidated annual accounts**

---

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **Report on other legal and regulatory requirements**

---

### **European single electronic format**

---

We have examined the digital file of the European single electronic format (ESEF) of CIE Automotive, S.A. and its subsidiaries for the 2022 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of CIE Automotive, S.A. are responsible for presenting the annual financial report for the 2021 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been included by reference in the consolidated management report.

Our responsibility is to examine the digital file prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

---

### **Report to the Parent company's audit committee**

---

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated February 24, 2023.

---

### **Appointment period**

---

The General Ordinary Shareholders' Meeting held on April 28, 2022 appointed PricewaterhouseCoopers Auditores, S.L. as auditors for a period of 1 year for the year ended December 31, 2022.

Previously, we were appointed by resolution of the General Shareholders' Meeting for an initial period of three years, and we have been auditing the accounts uninterruptedly since the year ended December 31, 2002.



CIE Automotive, S.A. and subsidiaries

---

**Services provided**

---

Services provided to the Group for services other than the audit of the accounts are detailed in note 26 to the consolidated annual accounts.

---

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Jon Toledano Irigoyen (20518)

February 24, 2023



**CIE** Automotive



***MANAGING HIGH VALUE  
ADDED PROCESSES***

**Consolidated Annual Accounts and  
Management Report  
for the year ended 2022**

---

**This 2022 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.**

**INDEX**

| <b>Note</b> |                                                                                   | <b>Page</b> |
|-------------|-----------------------------------------------------------------------------------|-------------|
|             | <b>Consolidated balance sheet</b>                                                 | 1-2         |
|             | <b>Consolidated income statement</b>                                              | 3           |
|             | <b>Consolidated statement of comprehensive income</b>                             | 4           |
|             | <b>Consolidated statement of changes in equity</b>                                | 5           |
|             | <b>Consolidated cash flow statement</b>                                           | 6           |
|             | <b>Notes to Consolidated Annual Accounts</b>                                      |             |
| <b>1</b>    | <b>General information</b>                                                        | 7-9         |
| <b>2</b>    | <b>Business combinations</b>                                                      | 9           |
| <b>3</b>    | <b>Basis of presentation and summary of significant accounting policies</b>       | 9-31        |
| <b>4</b>    | <b>Accounting estimates and judgements</b>                                        | 32-34       |
| <b>5</b>    | <b>Financial risk management</b>                                                  | 34-45       |
| <b>6</b>    | <b>Operating segments information</b>                                             | 45-47       |
| <b>7</b>    | <b>Property, plant and equipment and intangible assets</b>                        | 48-51       |
| <b>8</b>    | <b>Goodwill and fixed assets impairment</b>                                       | 51-54       |
| <b>9</b>    | <b>Financial assets and derivatives</b>                                           | 55-58       |
| <b>10</b>   | <b>Trade and other receivables</b>                                                | 58-59       |
| <b>11</b>   | <b>Inventories</b>                                                                | 59-60       |
| <b>12</b>   | <b>Cash and cash equivalents</b>                                                  | 60-61       |
| <b>13</b>   | <b>Disposal groups classified as held-for-sale and discontinued operations</b>    | 61-63       |
| <b>14</b>   | <b>Equity</b>                                                                     | 64-68       |
| <b>15</b>   | <b>Borrowings</b>                                                                 | 69-72       |
| <b>16</b>   | <b>Trade and other payables</b>                                                   | 72          |
| <b>17</b>   | <b>Other liabilities</b>                                                          | 73          |
| <b>18</b>   | <b>Deferred taxes</b>                                                             | 73-75       |
| <b>19</b>   | <b>Provisions</b>                                                                 | 76-78       |
| <b>20</b>   | <b>Operating income</b>                                                           | 79          |
| <b>21</b>   | <b>Other operating expenses</b>                                                   | 79          |
| <b>22</b>   | <b>Employee benefit expense</b>                                                   | 80          |
| <b>23</b>   | <b>Finance income and expenses</b>                                                | 81          |
| <b>24</b>   | <b>Income tax</b>                                                                 | 81-82       |
| <b>25</b>   | <b>Related-parties transactions</b>                                               | 82-84       |
| <b>26</b>   | <b>Fees of account auditors and companies in their group or related companies</b> | 84          |
| <b>27</b>   | <b>Environmental matters</b>                                                      | 84-85       |
| <b>28</b>   | <b>Events after the balance sheet date</b>                                        | 85          |
|             | <b>Appendix I: Detail of subsidiaries, joint ventures and associates</b>          | 86-89       |

**CONSOLIDATED BALANCE SHEET AT 31<sup>st</sup> DECEMBER 2022**

| Thousand euro                                            | Note      | 31.12.2022       | 31.12.2021       |
|----------------------------------------------------------|-----------|------------------|------------------|
| Property, plant and equipment                            | 7/8       | 1,613,447        | 1,575,325        |
| Intangible assets                                        |           | 1,859,024        | 1,865,831        |
| Goodwill                                                 | 7/8       | 1,827,378        | 1,830,247        |
| Other intangible assets                                  | 7/8       | 31,646           | 35,584           |
| Non-current financial assets                             | 9         | 32,428           | 23,270           |
| Investments in joint ventures and associates             | 9         | 57,929           | 48,399           |
| Deferred tax assets                                      | 18        | 198,003          | 192,866          |
| Other non-current assets                                 | -         | 34,194           | 47,801           |
| <b>Non-current assets</b>                                |           | <b>3,795,025</b> | <b>3,753,492</b> |
| Inventories                                              | 11        | 494,849          | 482,868          |
| Trade debtors and other accounts receivable              |           | 414,404          | 396,441          |
| Trade and other receivables                              | 10        | 309,457          | 284,155          |
| Other current assets                                     | -         | 47,636           | 51,819           |
| Current tax assets                                       | -         | 57,311           | 60,467           |
| Other current financial assets                           | 9         | 92,855           | 102,865          |
| Cash and cash equivalents                                | 12        | 732,053          | 658,788          |
| <b>Current assets</b>                                    |           | <b>1,734,161</b> | <b>1,640,962</b> |
| <b>Disposal group assets classified as held for sale</b> | <b>13</b> | <b>114,201</b>   | <b>3,661</b>     |
| <b>TOTAL ASSETS</b>                                      |           | <b>5,643,387</b> | <b>5,398,115</b> |

**CONSOLIDATED BALANCE SHEET AT 31<sup>st</sup> DECEMBER 2022**

| <b>Thousand euro</b>                                          | <b>Note</b> | <b>31.12.2022</b> | <b>31.12.2021</b> |
|---------------------------------------------------------------|-------------|-------------------|-------------------|
| Equity attributable to the Parent company's shareholders      |             | 1,143,340         | 987,253           |
| Share capital                                                 | 14          | 30,637            | 30,637            |
| Treasury shares                                               | 14          | (60,326)          | (401)             |
| Share premium                                                 | 14          | 152,171           | 152,171           |
| Retained earnings                                             | 14          | 1,290,885         | 1,085,617         |
| Interim dividend                                              | 14          | (49,049)          | (44,113)          |
| Translation differences                                       | 14          | (220,978)         | (236,658)         |
| Non-controlling interests                                     | 14          | 361,309           | 380,369           |
| <b>TOTAL EQUITY</b>                                           |             | <b>1,504,649</b>  | <b>1,367,622</b>  |
| <b>Deferred income</b>                                        |             | <b>16,313</b>     | <b>15,653</b>     |
| Non-current provisions                                        | 19          | 135,298           | 196,534           |
| Non-current borrowings                                        | 15          | 1,669,109         | 1,654,078         |
| Other non-current financial liabilities                       | 9           | 5,872             | -                 |
| Deferred tax liabilities                                      | 18          | 176,237           | 161,834           |
| Other non-current liabilities                                 | 17          | 145,449           | 153,417           |
| <b>Non-current liabilities</b>                                |             | <b>2,131,965</b>  | <b>2,165,863</b>  |
| Current borrowings                                            | 15          | 472,013           | 525,775           |
| Trade creditors and other payables                            |             | 1,091,827         | 1,016,880         |
| Trade and other payables                                      | 16          | 1,026,609         | 934,873           |
| Current tax liabilities                                       | 17          | 65,218            | 82,007            |
| Other current financial liabilities                           | 9           | 140               | -                 |
| Current provisions                                            | 19          | 173,519           | 135,084           |
| Other current liabilities                                     | 17          | 169,176           | 168,346           |
| <b>Current liabilities</b>                                    |             | <b>1,906,675</b>  | <b>1,846,085</b>  |
| <b>Disposal group liabilities classified as held-for-sale</b> | 13          | <b>83,785</b>     | <b>2,892</b>      |
| <b>TOTAL LIABILITIES</b>                                      |             | <b>4,122,425</b>  | <b>4,014,840</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                           |             | <b>5,643,387</b>  | <b>5,398,115</b>  |

**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

| Thousand euro                                                            | Note  | 2022               | 2021 <sup>(*)</sup> |
|--------------------------------------------------------------------------|-------|--------------------|---------------------|
| <b>OPERATING REVENUE</b>                                                 |       | <b>4,049,222</b>   | <b>3,312,505</b>    |
| Revenue                                                                  | 20    | 3,838,606          | 3,093,290           |
| Other operating income                                                   | 20    | 183,779            | 189,431             |
| Change in inventories of finished goods and work in progress             | 11/20 | 26,837             | 29,784              |
| <b>OPERATING EXPENSES</b>                                                |       | <b>(3,602,483)</b> | <b>(2,910,627)</b>  |
| Consumption of raw materials and secondary materials                     | 11    | (2,370,392)        | (1,909,050)         |
| Employee benefit expense                                                 | 22    | (605,147)          | (551,363)           |
| Depreciation, amortisation and impairment                                | 6/7/8 | (186,633)          | (163,132)           |
| Other operating expenses                                                 | 21    | (440,311)          | (287,082)           |
| <b>OPERATING PROFIT</b>                                                  |       | <b>446,739</b>     | <b>401,878</b>      |
| Finance income                                                           | 23    | 29,575             | 24,479              |
| Finance costs                                                            | 23    | (59,972)           | (51,054)            |
| Net exchange differences                                                 | 23    | 6,273              | (1,462)             |
| Result of financial instruments at fair value                            | 9     | (12,778)           | (20)                |
| Share in profit/(loss) of joint ventures and associates                  | 9     | 11,432             | 6,971               |
| <b>PROFIT BEFORE TAX</b>                                                 |       | <b>421,269</b>     | <b>380,792</b>      |
| Income tax                                                               | 24    | (88,603)           | (88,347)            |
| <b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>                    |       | <b>332,666</b>     | <b>292,445</b>      |
| <b>PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX</b> | 13    | <b>9,554</b>       | <b>1,030</b>        |
| <b>PROFIT FOR THE YEAR</b>                                               |       | <b>342,220</b>     | <b>293,475</b>      |
| <b>PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>                  | 14    | <b>(42,100)</b>    | <b>(25,931)</b>     |
| <b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY</b>         |       | <b>300,120</b>     | <b>267,544</b>      |
| Earnings per share from continuing operations (euro)                     | 14    |                    |                     |
| - Basic                                                                  |       | 2.43               | 2.17                |
| - Diluted                                                                |       | 2.43               | 2.17                |
| Earnings per share from discontinued operations (euro)                   | 14    |                    |                     |
| - Basic                                                                  |       | 0.06               | 0.01                |
| - Diluted                                                                |       | 0.06               | 0.01                |

(\*) Re-casted financial information, see Note 3



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

| Thousand euro                                                     | Note      | 2022           | 2021           |
|-------------------------------------------------------------------|-----------|----------------|----------------|
| <b>PROFIT FOR THE YEAR</b>                                        |           | <b>342,220</b> | <b>293,475</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>                                 |           |                |                |
| Foreign currency translation differences                          | 14        | 15,042         | 169,515        |
| Net investment coverage                                           | 3.3.10.a) | (7,353)        | (9,605)        |
| Cash flow hedges                                                  | 9         | 1,347          | 627            |
| Other comprehensive income for the year                           |           | (6,662)        | (10,338)       |
| Tax impact                                                        | 18        | 1,380          | 2,433          |
| <b>Total entries that may be reclassified to profit or loss</b>   |           | <b>3,754</b>   | <b>152,632</b> |
| Cash flow hedges                                                  | 9         | -              | 10,944         |
| Tax impact                                                        | 18        | -              | (2,627)        |
| <b>Total items reclassified to profit or loss in the year</b>     |           | <b>-</b>       | <b>8,317</b>   |
| Actuarial gains and losses                                        | 19        | 22,692         | 7,167          |
| Tax impact                                                        | 18        | (2,248)        | (420)          |
| <b>Total items that may not be reclassified to profit or loss</b> |           | <b>20,444</b>  | <b>6,747</b>   |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>        |           | <b>366,418</b> | <b>461,171</b> |
| <b>Attributable to Parent company owners</b>                      | 14        | <b>331,559</b> | <b>418,868</b> |
| Continuing operations                                             |           | 321,685        | 417,586        |
| Discontinued operations                                           |           | 9,874          | 1,282          |
| <b>Attributable to non-controlling interests</b>                  | 14        | <b>34,859</b>  | <b>42,303</b>  |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022

| Thousand euro                                   | Share Capital | Treasury shares | Share premium  | First time conversion reserve and other revaluation reserves | Translation differences | Retained earnings | Interim dividend | Non-controlling interests | Total Equity     |
|-------------------------------------------------|---------------|-----------------|----------------|--------------------------------------------------------------|-------------------------|-------------------|------------------|---------------------------|------------------|
| <b>Balance at 31<sup>st</sup> December 2021</b> | <b>30,637</b> | <b>(401)</b>    | <b>152,171</b> | <b>(52,444)</b>                                              | <b>(236,658)</b>        | <b>1,138,061</b>  | <b>(44,113)</b>  | <b>380,369</b>            | <b>1,367,622</b> |
| <b>Total comprehensive income for 2022</b>      | -             | -               | -              | <b>14,862</b>                                                | <b>16,577</b>           | <b>300,120</b>    | -                | <b>34,859</b>             | <b>366,418</b>   |
| Distribution of 2021 profit                     | -             | -               | -              | -                                                            | -                       | (87,207)          | 44,113           | -                         | (43,094)         |
| Interim dividend 2021                           | -             | -               | -              | -                                                            | -                       | -                 | (49,049)         | -                         | (49,049)         |
| Acquisition of treasury shares                  | -             | (71,391)        | -              | -                                                            | -                       | -                 | -                | -                         | (71,391)         |
| Sale of own shares                              | -             | 11,466          | -              | -                                                            | -                       | (550)             | -                | -                         | 10,916           |
| Business combinations (Note 1)                  | -             | -               | -              | -                                                            | (1,306)                 | (10,798)          | -                | (45,053)                  | (57,157)         |
| Other movements                                 | -             | -               | -              | -                                                            | 409                     | (11,159)          | -                | (8,866)                   | (19,616)         |
| <b>Balance at 31<sup>st</sup> December 2022</b> | <b>30,637</b> | <b>(60,326)</b> | <b>152,171</b> | <b>(37,582)</b>                                              | <b>(220,978)</b>        | <b>1,328,467</b>  | <b>(49,049)</b>  | <b>361,309</b>            | <b>1,504,649</b> |

| Thousand euro                                   | Share Capital | Treasury shares | Share premium  | First time conversion reserve and other revaluation reserves | Translation differences | Retained earnings | Interim dividend | Non-controlling interests | Total Equity     |
|-------------------------------------------------|---------------|-----------------|----------------|--------------------------------------------------------------|-------------------------|-------------------|------------------|---------------------------|------------------|
| <b>Balance at 31<sup>st</sup> December 2020</b> | <b>30,637</b> | -               | <b>152,171</b> | <b>(59,888)</b>                                              | <b>(380,220)</b>        | <b>934,741</b>    | <b>(30,638)</b>  | <b>348,171</b>            | <b>994,974</b>   |
| <b>Total comprehensive income for 2021</b>      | -             | -               | -              | <b>7,444</b>                                                 | <b>143,880</b>          | <b>267,544</b>    | -                | <b>42,303</b>             | <b>461,171</b>   |
| Distribution of 2020 profit                     | -             | -               | -              | -                                                            | -                       | (61,262)          | 30,638           | -                         | (30,624)         |
| Interim dividend 2021                           | -             | -               | -              | -                                                            | -                       | -                 | (44,113)         | -                         | (44,113)         |
| Acquisition of treasury shares                  | -             | (50,563)        | -              | -                                                            | -                       | -                 | -                | -                         | (50,563)         |
| Sale of own shares                              | -             | 50,162          | -              | -                                                            | -                       | 479               | -                | -                         | 50,641           |
| Business combinations (Note 1)                  | -             | -               | -              | -                                                            | (318)                   | 314               | -                | (4,788)                   | (4,792)          |
| Other movements                                 | -             | -               | -              | -                                                            | -                       | (3,755)           | -                | (5,317)                   | (9,072)          |
| <b>Balance at 31<sup>st</sup> December 2021</b> | <b>30,637</b> | <b>(401)</b>    | <b>152,171</b> | <b>(52,444)</b>                                              | <b>(236,658)</b>        | <b>1,138,061</b>  | <b>(44,113)</b>  | <b>380,369</b>            | <b>1,367,622</b> |

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

|                                                                                        |           | Year ended 31 <sup>st</sup> December |                     |
|----------------------------------------------------------------------------------------|-----------|--------------------------------------|---------------------|
| Thousand euro                                                                          | Note      | 2022                                 | 2021 <sup>(*)</sup> |
| <b>PROFIT BEFORE TAX FROM CONTINUING AND DISCONTINUED OPERATIONS</b>                   |           | <b>432,166</b>                       | <b>382,099</b>      |
| <b>Adjustments to year's profit</b>                                                    |           | <b>197,285</b>                       | <b>181,587</b>      |
| Depreciation, amortization and impairment charges                                      | 6/7/8     | 186,633                              | 163,132             |
| Finance profit/(loss) and exchange rate differences                                    | 6/23      | 36,902                               | 28,057              |
| Profit/(loss) from joint ventures and associates                                       | 9         | (11,432)                             | (6,971)             |
| Other adjustments to year's profit                                                     |           | (14,818)                             | (2,631)             |
| <b>Changes in working capital</b>                                                      |           | <b>40,172</b>                        | <b>(27,024)</b>     |
| Net variation of provisions                                                            | 19        | 14,893                               | 5,746               |
| Other changes in net working capital                                                   |           | 25,279                               | (32,770)            |
| <b>Other cash flows from operating activities</b>                                      |           | <b>(90,971)</b>                      | <b>(71,213)</b>     |
| Interest paid and collected                                                            |           | (23,087)                             | (25,682)            |
| Taxes paid                                                                             |           | (83,385)                             | (54,255)            |
| Cash generated from operating activities from discontinued operations                  | 13        | 15,501                               | 8,724               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                            |           | <b>578,652</b>                       | <b>465,449</b>      |
| Acquisition of subsidiaries, net of cash acquired                                      | 5.3       | (221)                                | (6,622)             |
| Acquisition of property, plant and equipment                                           | 7         | (216,676)                            | (188,058)           |
| Acquisition of intangible assets                                                       | 7         | (4,068)                              | (8,633)             |
| Acquisitions to non-controlling interests                                              | 1         | (57,157)                             | (4,792)             |
| Proceeds from the sale of property, plant and equipment and intangible assets          |           | 15,099                               | 5,572               |
| Proceeds from dividends distributed by joint ventures and associates                   | 9         | 6,918                                | 4,880               |
| Disbursements for investment in joint and associated businesses                        | 9         | (2,233)                              | (1,730)             |
| Acquisition/Withdrawals of financial assets                                            | 9         | (7,493)                              | (13,178)            |
| Cash generated from investing activities from discontinued operations                  | 13        | (4,413)                              | (2,764)             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                            |           | <b>(270,244)</b>                     | <b>(215,325)</b>    |
| Transactions with treasury shares                                                      | 14        | (60,475)                             | 78                  |
| Proceeds from borrowings                                                               | 15        | 298,964                              | 582,226             |
| Loan repayments                                                                        | 15        | (237,419)                            | (740,534)           |
| Income (net of reimbursements) from high-rotation borrowings                           | 15        | 52,588                               | (20,508)            |
| Income (net of reimbursements) from commercial paper program                           | 15        | (163,850)                            | 82,650              |
| Cancellation of hedging instruments                                                    | 9         | -                                    | (10,944)            |
| Grants received (net)                                                                  |           | 4,708                                | 5,332               |
| Variation of other debts (net)                                                         | 17        | (4,697)                              | (7,015)             |
| Lease payments                                                                         | 7         | (24,027)                             | (22,561)            |
| Dividends paid to shareholders of the Parent company                                   | 14        | (87,207)                             | (61,262)            |
| Other payments/proceeds to/from non-controlling interests                              | 14        | (7,140)                              | (2,594)             |
| Cash generated from financing activities from discontinued operations                  | 13        | (7,598)                              | (5,939)             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                            |           | <b>(236,153)</b>                     | <b>(201,071)</b>    |
| <b>Exchange gains/(losses) on cash and cash equivalents</b>                            |           | <b>10,415</b>                        | <b>44,756</b>       |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>                            |           | <b>82,670</b>                        | <b>93,809</b>       |
| Cash and equivalents at beginning of the period                                        |           | 659,583                              | 565,774             |
| <b>Cash and equivalents at end of the period</b>                                       | <b>12</b> | <b>732,053</b>                       | <b>658,788</b>      |
| <b>Cash and equivalents at end of the period classified as discontinued operations</b> | <b>13</b> | <b>10,200</b>                        | <b>795</b>          |

(\*) Re-casted financial information, see Note 3

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

### **1. General information**

#### **1.1 CIE Automotive Group and activity**

The CIE Automotive Group carries out its activities in the Automotive business. This business is carried out through an industrial group formed by several companies that are mainly engaged in the design, manufacture and sale of automotive components and sub-assemblies, on the global automotive market, using complementary technologies – aluminium, forging, metals and plastics – and several associated processes: machining, welding, painting and assembly, as well as roof system design and production.

Its main facilities are in the following territories: Spain (Biscay, Álava/Araba, Gipuzkoa, Navarre, Barcelona, Cádiz, Orense and Pontevedra), Germany, France, Portugal, Czechia, Romania, Italy, Morocco, Lithuania, Slovakia, North America (Mexico and the United States of America), South America (Brazil), India, the People's Republic of China and Russia.

CIE Automotive, S.A.'s (the Parent Company) registered office is in Spain at "Alameda Mazarredo 69, 8º piso, Bilbao".

#### **Group structure**

At present, CIE Automotive, S.A. (publicly listed company) has a 100% direct stake in the following companies: CIE Berriz, S.L., Advanced Comfort Systems Ibérica, S.L.U., Advanced Comfort Systems France, S.A.S., Autokomp Ingeniería, S.A.U., CIE Automotive Boroa, S.L.U, CIE Roof Systems, S.L.U and CIE Automotive Roof Systems Korea, Ltd.; mainly, holding companies to which the CIE Automotive Group's productive companies report to.

The list of subsidiaries and associates at 31<sup>st</sup> December 2022, together with the information concerning them, is disclosed in the Appendix I to these Consolidated Annual Accounts.

All subsidiaries under the control of the CIE Automotive Group have been consolidated using the full consolidation method.

The subsidiaries consolidated under the equity method are disclosed in Note 9.

#### **Business evolution**

After the 2020 financial year, 2021 continued to be marked by the Covid-19 pandemic, with successive outbreaks and tensions in the supply chain, which negatively affected economic activity with a strong impact on the automotive market, which reached a global production of 77.2 million vehicles in 2021.

The year 2022 has also been marked by challenges for the global economy in general, and the automotive industry in particular. While most of the countries where the Group operates were lifting health restrictions in the first half of the year, the Russian invasion of Ukraine has negatively affected an already weakened macroeconomic environment. In addition, production disruptions due to lack of semiconductors have been joined by the escalation of energy prices, and the scarcity and increase in the price of essential materials for the production of vehicles. Thus, the global production of vehicles was 82.0 million vehicles, 6.7% higher than in 2021.

In this market context, the Group has once again demonstrated its operational strength and flexibility, which have allowed it to reach levels higher than 2019, with record sales representing a growth of 16.4% compared to the previous year, at constant currency, standing above market growth by 9.7 percentage points. In addition, the Group has managed to exceed the operating margins that were diluted with the integrations of the 2019 financial year despite the general increase in production costs.

As of 31<sup>st</sup> December 2022, the Group has a liquidity reserve amounting to €1,534.2 million (Note 5.1.b)), which will allow it to fulfil with the necessary payments for the continuity of its business during 2023. In the same way, after the modification of the contractual clauses of all structural financing contracts for the year 2021, the Group has complied with the "covenants" of all its structural financing (Note 15).

At the date of preparation of these Consolidated Annual Accounts, the Directors of CIE Automotive, S.A., with the available information, estimate that the continuity of the business is not at risk given the solvency and liquidity position of the Group.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### **Investments in Russia**

As of 31<sup>st</sup> December 2022 and 2021, the Russian company CIE Automotive RUS, LLC is invested by the Group, dedicated to the production and sale of automotive components.

The Directors has evaluated the control over this investment and it has been determined that the Group has effective control over the mentioned company, resulting in the application of the full consolidation method for its related net assets.

The events of the conflict between Russia and Ukraine, and its impact on the Russian plant's activities, has resulted the Group registering value correction adjustments over its net assets in Russia amounting to €17.6 million, of which €6.5 million has been registered as "depreciation, amortisation and impairment", mainly related to the impairment of productive assets and €11.1 million as other gross operating result, for the rest of the assets associated with the plant, whose recoverable value has been necessary to update.

### **Changes in the scope of consolidation**

#### **2022**

During the year 2022, the Group has acquired 18,956,240 shares of its subsidiary Mahindra CIE Automotive, Ltd. for a total amount of €57,157 thousand, resulting in a decrease of the consolidated equity schedule by the amount paid. The Group's interest increased from 60.75% to 65.71% as of 31<sup>st</sup> December 2022.

On 15<sup>th</sup> March 2022, the Mexican subsidiary CIE Automotive de México, SAPI of C.V. carried out the acquisition of the 30% share it held indirectly in Ges Trading Nar, S.A. of C.V. (previously named Gescrap Autometal Mexico Servicios, S.A. de C.V.), and which until then depended directly on the associated company Gescrap Autometal de México, S.A. of C.V. This transaction had no impact on the Group's consolidated financial statements.

On 10<sup>th</sup> June 2022, together with other shareholders, an investment of €1,500 thousand was made in the company Basquevolt, S.A. by the Group, a project focused on the production of solid-state cells that aspires to be a leading battery producer in Europe, and over which the Group holds 16.67%.

On 13<sup>rd</sup> October 2022, the company Belgium Forge, NV was liquidated. The liquidation of the company had no significant impact on the Group's consolidated financial statements.

During the second half of the year, a corporate restructuring was carried out in the "Golde" roof system division, acquired to Inteva Products in 2019. The objective of this restructuring was to adapt the structure inherited from Inteva to the operational structure of CIE. The summary of the transactions, which had no impact on the consolidated financial statements, is as follows:

- On 4<sup>th</sup> August 2022, CIE Roof Systems, S.L.U. has acquired 100% and 99.99%, respectively, of the companies Golde Oradea, SRL (Romanian nationality) and Golde Bengaluru Pvt. Ltd. (Indian nationality) from its direct subsidiary Golde Netherlands, BV.
- On 23<sup>rd</sup> August, 2022, CIE Roof Systems, S.L.U. has acquired the interest held by Golde Netherlands, BV in Roof Systems Germany, GmbH until reaching 100% of its share.
- On 31<sup>st</sup> August 2022, CIE Roof Systems, S.L.U. has also acquired practically the entire share held by Golde Lozorno spol s.r.o. from Golde Netherlands, BV. until reaching 99.77% of its share.
- On 2<sup>nd</sup> November 2022, the liquidation process of Inteva Products (Barbados), Ltd. began. Within the liquidation procedures, a legal document has been signed by which all the assets and liabilities of the Barbadian company are transferred to its direct parent company, Golde USA, LLC, a US national. The assets and liabilities transferred include the interests that Inteva Products (Barbados), Ltd. held in the Chinese companies Golde Shanghai, Co. Ltd., Golde Changchun, Co. Ltd. and CIE Golde Shanghai Innovation, Co. Ltd.; all owned by 100%.
- On 7<sup>th</sup> November 2022, CIE Roof Systems, S.L.U. has acquired from SIR SAS 50% of shares that the latter had in the joint venture Golde Shanghai Automotive Parts, Co. Ltd.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

- On 8<sup>th</sup> November 2022, the cross-border merger was formalized in which CIE Roof Systems, S.L.U., absorbing company of Spanish nationality, has absorbed Golde Holdings, BV of Dutch nationality. With this merger, CIE Roof Systems, S.L.U. has come to hold 100% of the share in the Chinese companies Golde Tianjin, Co. Ltd., Golde Shandong, Co. Ltd. and Golde Wuhan, Co. Ltd. The merger date for accounting purposes was 1<sup>st</sup> January 2022.
- On 28<sup>th</sup> November 2022, CIE Roof Systems, S.L.U. has acquired 100% of the French company SIR SAS, of French nationality, from its direct subsidiary Golde Netherlands, BV.
- During the months of November and December, the necessary procedures were carried out to migrate the US company Golde USA, LLC (subsidiary of CIE Roof Systems, S.L.U. and 100% owned) to Biscay (Spain). This process was completed on 23<sup>th</sup> December 2022, the day on which the company was domiciled and nationalized for legal and tax purposes in Spain, without having lost its legal personality. Within this migration process, the corporate name of the company has also been modified, becoming CIE Golde Holding, S.L.U.

### 2021

During the first semester of the year, the Group acquired 2,200,441 shares of its subsidiary Mahindra CIE Automotive, Ltd. for a total amount of €4,792 thousand, resulting in a decrease of the consolidated equity schedule for the cost of the acquisition. The Group's interest increased, with this last acquisition, from 60.18% to 60.75% being the share percentage in Mahindra CIE Automotive, Ltd. held by the Group as of 31<sup>st</sup> December 2021.

Additionally, in 2021, the following corporate operations have been carried out without any of them having had significant impacts on the Consolidated Financial Statements:

- On the accounting date of 1<sup>st</sup> January 2021, the merger between PIA Forging Products, S.L.U. (absorbed company) and Participaciones Internacionales de Autometal Dos, S.L.U. (absorbing company) were carried out.
- On 6<sup>th</sup> August 2021, the Indian company CIE Hosur, Ltd. was incorporated.
- On the accounting date of 12<sup>th</sup> August 2021, the German company Aurangabad Deutschland, GmbH was liquidated.
- On 29<sup>th</sup> September 2021, the Indian company Golde Pune Automotive India Pvt. Ltd. was incorporated.
- On 9<sup>th</sup> October 2021, the Korean company CIE Automotive Roof Systems Korea, Ltd. was incorporated.
- On 31<sup>st</sup> October 2021, the mergers by absorption of Percaser de México, S.A. de C.V. and Servicat Servicios Administrativos, Contables y Técnicos, S.A. de C.V. (absorbed companies) with Nugar, S.A. de C.V., and Pintura y Ensamblados de México, S.A. de C.V. (absorbing companies), respectively, were carried out.
- On 1<sup>st</sup> December 2021, the companies Biodiesel del Mediterráneo, S.L.U. and Reciclados Ecológicos de Residuos, S.L.U. were liquidated.

### Preparation of the Consolidated Annual Accounts

These Consolidated Annual Accounts had been authorised for issue by the Board of Directors on 24<sup>th</sup> February 2023 and are pending to be ratified by the Group Parent company's shareholders. However, management expects them to be approved without modification.

The Consolidated Annual Accounts have been prepared and formulated under the going concern principle as there are no causes that call into question the continuity of the Group's operations.

## 2. Business combinations

During 2022 and 2021, the Group has not completed any business combination

## 3. Basis of presentation and summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Annual Accounts are set out below, which have been consistently applied to all the years presented.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

### 3.1 Basis of presentation

These Consolidated Annual Accounts for the year ended 31<sup>st</sup> December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the recommendations issued by the Interpretation Committee for IFRS (IFRIC) adopted for utilisation in the European Union (IFRS-EU) and approved under European Commission Regulations in force at 31<sup>st</sup> December 2022.

The Consolidated Annual Accounts have been prepared under the historical cost approach, except for financial investments held for sale and financial assets and liabilities (including derivative instruments) at fair value through profit or loss, assets held for sale (fair value less disposal costs) and retirement benefit plans – pensions (assets of the plans).

The preparation of Consolidated Annual Accounts in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Annual Accounts are disclosed in Note 4.

The consolidated income statement for the years 2022 and 2021 does not include unusual items that require a detail or a conciliation of balances.

Certain International Financial Reporting Standards are effective from 1<sup>st</sup> January 2022, prompting the Group to adapt its Consolidated Annual Accounts. The standards which have entered into force are disclosed in Note 3.2.

The Consolidated Annual Accounts are not affected by any aspect that may contravene applicable presentation basis.

The figures contained in these Consolidated Annual Accounts are shown in thousands of euros, except as expressly indicated in another unit.

The figures contained in these Consolidated Annual Accounts are shown in thousands of euros, except as expressly indicated in another unit. The information contained in these Consolidated Annual Accounts referring to the 2022 financial year includes, for comparative purposes, the information relating to 2021. In the 2022 financial year there have been no events that affect the comparability of the information, except from the disclosure in Note 3.1.1.

#### 3.1.1 Comparative information

In 2022, the Group has reclassified the net assets of the German forging business of the Mahindra CIE Europe segment after meeting the conditions to be considered as a group of assets and liabilities held for sale (Note 13). This reclassification, carried out based on the provisions of IFRS 5 "non-current assets available for sale and discontinued activities", has had the following implications on these Consolidated Annual Accounts:

- The profit/(loss) after taxes of the business has been classified under the heading "profit/(loss) from discontinued activities after tax" in the consolidated income statement for the years 2022 and 2021 applying the accounting standards in force (Note 13).
- The movement schedules to the notes to the Consolidated Annual Accounts disclose as discontinued activity movement values those registered in the consolidated financial statements of the business as of 31 December 2022.
- In the consolidated statement of cash flows, the Group has proceeded to include separately the cash flows generated by the discontinued activities, in one statement, separating the operating, investing cashflows generated for the year 2022. Likewise, the comparative information relating to the 2021 financial year has been re-casted for comparability reasons. The detail of cash flows from discontinued activities is included in Note 13.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 3.2 Summary of standards, amendments to standards and interpretations published to date

#### a) Standards, amendments, and mandatory interpretations for all year beginning 1<sup>st</sup> January 2022

| Adopted Standard                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Group Impact                                                                          |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>IAS 16 (Amendment)</b><br><b>"Property, plant and equipment – Amounts received before the intended use"</b> | It is prohibited to deduct from the cost of an item of property, plant, and equipment any income obtained from the sale of articles produced while the entity is preparing the asset for its intended use. Revenue from the sale of such samples, along with production costs, is now recognized in the income statement. The amendment also clarifies that an entity is testing whether the asset is functioning properly when evaluating the technical and physical performance of the asset. The financial performance of the asset is not relevant to this evaluation. Therefore, an asset might be able to operate as intended by management and be subject to depreciation before it has reached the level of operating performance expected by management. The effective date of these modifications is 1 <sup>st</sup> January 2022. | This amendment had no significant effect on the Group's Consolidated Annual Accounts. |
| <b>IAS 37 (Amendment)</b><br><b>"Onerous contracts – Cost of fulfilling a contract"</b>                        | The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to the performance of the contracts. It also clarifies that before making a separate provision for an onerous contract, the entity will recognize any impairment loss that has occurred on the assets used to perform the contract, rather than on the assets dedicated to that contract. The effective date of these amendments is 1 <sup>st</sup> January 2022. The amendment is awaiting approval by the European Union.                                                                                                                                                                                                                           | This amendment had no significant effect on the Group's Consolidated Annual Accounts. |
| <b>IFRS 3 (Amendment)</b><br><b>"Reference to the Conceptual Framework"</b>                                    | IFRS 3 has been updated to refer to the 2018 Conceptual Framework to determine what constitutes an asset or a liability in a business combination (previously referred to the 2001 CF). In addition, a new exception has been added in IFRS 3 for liabilities and contingent liabilities. The effective date of these amendments is 1 <sup>st</sup> January 2022.                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | This amendment had no significant effect on the Group's Consolidated Annual Accounts. |
| <b>Annual Improvements to IFRS. Cycle 2018 – 2020</b>                                                          | <p>The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on or after 1<sup>st</sup> January 2022. The main amendments refer to:</p> <ul style="list-style-type: none"> <li>IFRS 1 "First-time adoption of IFRS": IFRS 1 allows an exemption if a subsidiary adopts IFRS later than its parent. This amendment allows entities that have taken this exemption to also measure accumulated translation differences using the amounts accounted for by the parent, based on the latter's transition date to IFRS.</li> <li>IFRS 9 "Financial Instruments": The amendment</li> </ul>                                                                                                                                                                                                                    | This amendment had no significant effect on the Group's Consolidated Annual Accounts. |



**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022**

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  | <p>addresses what costs must be included in the 10% test for derecognition of financial liability accounts. The costs or fees could be paid to third parties or to the lender. Depending on the modification, costs or fees paid to third parties will not be included in the 10% test.</p> <ul style="list-style-type: none"> <li>IAS 41 "Agriculture": This amendment eliminates the requirement to exclude cash flows for taxes when measuring fair value under IAS 41.</li> </ul> |  |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

**b) Standards, amendments and interpretations that have not yet entered into force, but that can be adopted in advance**

| <b>Adopted Standard</b>                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>Group Impact</b>                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>IFRS 17 "Insurance contracts"</b>                                                                            | IFRS 17 replaces IFRS 4 "Insurance Contracts", which allowed for a wide variety of accounting practices. The new standard fundamentally changes the accounting for all entities that issue insurance contracts and investment contracts with discretionary participation components. In June 2020, the IASB modified the standard, developing specific amendments and clarifications aimed at facilitating the implementation of the new standard, although they did not change its fundamental principles.                                              | Due to the activity of the Group, there are no contract which could be impacted by the application of this standard.                                                                                                                           |
| <b>IAS 1 (Amendment) "Accounting policies"</b>                                                                  | IAS 1 has been amended to improve the breakdowns of accounting policies to provide more useful information to investors and other primary users of the financial statements. The effective date of these modifications is 1 <sup>st</sup> January 2023.                                                                                                                                                                                                                                                                                                  | These modifications are not expected to have significant impacts on the Group's Consolidated Annual Accounts.                                                                                                                                  |
| <b>IAS 8 (Amendment) "Definition of accounting estimates"</b>                                                   | IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policy. The effective date of these modifications is 1 <sup>st</sup> January 2023.                                                                                                                                                                                                                                                                                                                                                          | These modifications are not expected to have significant impacts on the Group's Consolidated Annual Accounts.                                                                                                                                  |
| <b>IAS 12 (Amendment) "Deferred taxes related to assets and liabilities originated in one sole transaction"</b> | In certain circumstances under IAS 12, companies are exempt from recognizing deferred taxes when they recognize assets or liabilities for the first time ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which both an asset and a liability are recognised at the time of their initial recognition. The amendment clarifies that the exemption does not apply and that there is therefore an obligation | This modification is not expected to impact significantly on the Group's consolidated equity. For presentation purposes in the consolidated balance sheet, the Group estimates with the current information available that the impacts of this |

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022**

|                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                            | <p>to recognise deferred taxes on such transactions.</p> <p>The amendment takes effect for fiscal years beginning on or after 1<sup>st</sup> January 2023, although early application is permitted. This amendment is awaiting approval by the European Union.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>amendment will entail a recognition of deferred tax assets and liabilities of approximately €18 million respectively, once the amendment enters into force.</p> |
| <b>IFRS 17 (Amendment)</b><br><b>"Initial application of IFRS 17 and IFRS 9 – Comparative information"</b> | <p>The IASB has published an amendment to IFRS 17 that introduces limited scope amendments to the transition requirements of IFRS 17, "Insurance Contracts", and does not affect any other requirements of IFRS 17. IFRS 17 and IFRS 9 "Financial instruments" have different transition requirements. For some insurers, these differences may cause specific accounting asymmetries between the financial assets and the liabilities for insurance contracts in the comparative information that they present in their financial statements when they apply IFRS 17 and IFRS 9 for the first time. The amendment will help insurers avoid these asymmetries and thus improve the usefulness of comparative information for investors.</p> | <p>This amendment is not expected to have a significant effect on the Group's Consolidated Annual Accounts in the future.</p>                                      |

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022**
**c) Standards, modifications and interpretations to existing standards that cannot be adopted in advance or that have not been adopted by the European Union**

At the date of preparation of these Consolidated Annual Accounts, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations detailed below, which are pending adoption by the European Union.

| Adopted Standard                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Group Impact                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| <b>IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associates or joint ventures"</b> | <p>These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognize the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the definition of a business, the investor recognizes the gain or loss to the extent of the interests of other investors. The modifications will only apply when an investor sells or contributes assets to its associate or joint venture.</p> <p>Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for fiscal years beginning on or after 1<sup>st</sup> January 2016. However, at the end of 2015, the IASB made the decision to postpone the date of validity of the same (without setting a new specific date), since it is planning a broader review that may result in the simplification of the accounting of these transactions and of other aspects of the accounting of associates and joint ventures.</p> | <p>These amendments are not expected to have an effect on the Group's Consolidated Annual Accounts in the future.</p>        |
| <b>IAS 1 (Amendment) "Non-current liabilities subject to conditions ("covenants")"</b>                                                      | <p>The IASB has issued an amendment to IAS 1 "Presentation of financial statements", in response to concerns raised about the application of previous amendments to it (in January and July 2020) in relation to the classification of liabilities as current or non-current, which would have entered into force for years beginning on or after 1<sup>st</sup> January 2023.</p> <p>The new amendment aims to improve the information provided when the right to defer payment of a liability is subject to compliance with conditions ("covenants") within twelve months after the reporting period.</p> <p>The new modification is effective for fiscal years beginning on or after 1<sup>st</sup> January 2024 and cancels the previous modifications. The early application of the modification is allowed, although it is pending approval by the European Union.</p>                                                                                                                                                                                                                                                                                                    | <p>This amendment is not expected to have a significant effect on the Group's Consolidated Annual Accounts in the future</p> |

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

|                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                       |
|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| <b>IFRS 16 (Modification)</b><br><b>"Lease liabilities in a sale with a forward lease"</b> | <p>IFRS 16 includes requirements on how to account for a sale and leaseback on the date the transaction takes place. However, it did not specify how to record the transaction after that date. This amendment explains how a company must account for a sale and leaseback after the date of the transaction.</p> <p>The effective date of this amendment is 1<sup>st</sup> January 2024, although early adoption is permitted. Said modification is pending approval by the European Union.</p> | <p>These amendments are not expected to have an effect on the Group's Consolidated Annual Accounts in the future.</p> |
|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|

### 3.3 Accounting policies

The main accounting policies used to prepare these Consolidated Annual Accounts have been as follows.

#### 3.3.1 Consolidation principles

##### a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed, or has right, to obtain a few variable performances for his implication in the informed one and has aptitude to use his power on her to influence these performances.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The amount paid for the acquisition of a subsidiary consists of the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, also including the fair value of any asset or liability that originates from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is performed in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent compensation to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that termed as financial liability are recognised in profit. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share in the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in case of an investment in favourable conditions, the difference is recognised directly in profit and loss account.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. The accounting policies followed by subsidiaries have been modified where necessary to ensure consistency with policies adopted by the Group.

The non-controlling interests in the results and equity of the subsidiaries are shown separately in the consolidated balance statement, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

Annual accounts/financial statements used in the consolidation accounts are, in all cases, dates of 31<sup>st</sup> December of each year.

The accompanying Appendix sets out the identification particulars of subsidiaries.

b) Changes in ownership interests in subsidiaries without change of control

The Group recognises transactions involving non-controlling interests that do not result in loss of control as transactions with the owners of the Group's equity in their capacity as owners. In acquisitions of non-controlling interests, the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recognised in equity.

c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Joint agreements

The Group applies IFRS 11 to all the joint agreements. The investments in joint agreements under IFRS 11 qualify as joint operations or as joint business, depending on the rights and commitments of every investor. The Group has evaluated the nature of his joint agreements and has determined that are joint business. The joint business is assessed using the participation method.

Under the participation method, the interests in joint business are recognised initially to its cost and it adjusts from then to recognize the participation of the Group in the benefits and losses later to the acquisition and movements in another global result. When the participation of the Group in the losses in a joint business equalizes or overcomes his interests in joint business (what includes any long-term interest that, in substance, forms a part of the clear investment of the Group in the joint business), the Group does not recognize additional losses, as long as it has not incurred in any obligation or done payments on behalf of the joint business.

The earnings not realized in transactions between the Group and its joint business is eliminated in the measure of the participation of the Group in the joint business. The losses not realized also are eliminated until the transaction provides evidence of a loss for deterioration of the value of the transferred assets. The countable policies of the joint business have been modified when it is necessary to assure the uniformity with the policies adopted as the Group.

e) Associates

Associates (Note 9.c)) are all entities over which the Group has significant influence but not control, generally accompanying a shareholding lower than 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share in the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes any goodwill (net of impairment) identified on acquisition (Note 3.6.a)). Note 3.3.7 outlines the impairment policy in respect of non-financial assets, including goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share in the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The Group's share of its associates post-acquisition profits or losses is recognised in the income statement and its share in post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share in losses in an associate company equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred in implicit or legal obligations or made payments on behalf of the associate.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

At each reporting date, the Group determines if there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount adjacent to “share in profit/(loss) of associates” in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Dilution gains or losses arising in associates are recognised in the income statement.

### 3.3.2 Operating segments’ financial information

Operating segments are reported consistently with the internal reporting provided to the chief operating decision-maker. The highest decision-making body is responsible for allocating resources to and assessing the performance of the operating segments. The maximum decision-making body is the Board of Directors.

Financial information related to operating segments is disclosed in Note 6.

### 3.3.3 Foreign currency translation

#### a) Functional and presentation currency

Items included in the Financial Statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). All Group companies use the currency of their country of origin as their functional currency, except, mainly, for the Mexican companies (Appendix), whose functional currency was defined on 1<sup>st</sup> January 2009 as the US dollar.

The Consolidated Annual Accounts are presented in euro, which is the Group’s functional currency and presentation currency.

#### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Exchange gains and losses are presented in the income statement under “Net exchange differences”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates on the dates the fair value was determined. Translation differences in assets and liabilities recorded at fair value are presented as part of the gain or loss in fair value. For example, translation differences in non-monetary assets and liabilities such as equity interests held at fair value through profit or loss are recognized in profit or loss as part of the gain or loss in fair value and differences in equity. Translation into non-monetary assets such as equity investments classified as at fair value with changes in other comprehensive income are recognized in other comprehensive income.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### c) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in the other comprehensive income.

On consolidation, any exchange differences arising from the translation of net investments in foreign operations and loans and other instruments in foreign currency and designated as hedges of such investments are taken to equity. When realised, or when the investment ceases to be classified as a net investment in a foreign operation, these differences are recognised in the income statement as part of the gain or loss on the sale. As of 31<sup>st</sup> December, 2022, the Group maintains loans denominated in US dollars that it uses to perform net investment coverage on its investments with this same functional currency.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

### 3.3.4 **Property, plant and equipment**

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses, except for land, which is presented net of impairment losses.

Historic cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment transferred from equity.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

|                                   | <b>Estimated useful lives</b> |
|-----------------------------------|-------------------------------|
| Buildings                         | 10 – 50                       |
| Vehicles                          | 3 – 15                        |
| Furniture, fittings and equipment | 3 – 15                        |

The depreciation policy historically applied by the Group to productive assets (plant, machinery and tools) is to systematically apply depreciation based on the useful lives of the assets concerned. These useful lives are estimated in accordance with the actual production levels attained by the assets (i.e. in accordance with the units of production method based on the understanding that this best reflects the expected pattern of consumption of the future economic benefits embodied by the assets) and their residual value, as well as a maximum useful life for each asset.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

By using the units of production method, annual depreciation charges adapt to significant changes in production levels. Production levels are considered lower than normal when the components produced are lower than a number set by the Technical Management at each Group company. In cases where production levels vary significantly, the Group companies depreciate each asset based on the number of components produced. Regardless of the number of years of useful life of each asset based on normal production circumstances, in the event of significant declines in production levels there is a maximum useful life that each of the assets cannot exceed, due to both physical wear and tear and the passage of time.

The useful lives and annual depreciation rates for assets under normal production circumstances are as follows:

|           | <b>Useful life (*)</b> | <b>Annual rate %</b> |
|-----------|------------------------|----------------------|
| Machinery | 10 – 20 years          | 5 – 10%              |
| Plant     | 10 – 20 years          | 5 – 10%              |
| Tooling   | 3 – 6.7 years          | 15% – 33.33%         |

(\*) Years of useful life in accordance with estimated normalised units of production.

The residual value and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.3.7).

Rights of use assets are valued at cost including the following:

- The impact of the initial valuation of the lease liability,
- any lease payment made on or before the beginning date, less any lease incentive received,
- any initial direct costs, and
- any restoration costs.

Rights of use assets are generally amortized on a straight-line basis during the lower period between the useful life of the asset and the lease term.

### 3.3.5 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss.

### 3.3.6 Intangible assets

#### a) Goodwill

Goodwill represents the excess of acquisition cost over the Group's interest in the acquisition-date fair value of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less cumulative impairment losses; goodwill impairment cannot be reversed in the future. Gains and losses on the sale of an entity include the carrying amount of goodwill allocated to the entity sold.

For impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.



## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of each CGU group containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense.

### b) Research and development expenses

Research expenditure is recognised as an expense as incurred. The costs incurred in development projects (associated with the design and testing of new products or product upgrades) are recognised as an intangible asset when the success of the development is deemed probable taking into account its technical and commercial feasibility, Group Management intends to complete the project and has the technical and financial resources to do so, has the ability to use or sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the start of commercial production of the product on a straight-line basis over the period in which it is expected to generate economic benefits, which does not exceed five years.

Any intangible assets so recognised are subject to impairment testing under IAS 36.

### c) Licences

The licenses acquired from third parties are presented at historical cost. Those acquired through business combinations are recognized at their fair value at the acquisition date. Amortization is calculated using the straight-line method to allocate the cost of the licenses during their estimated useful life.

After the acquisition of CIE Golde in 2019, the Group recorded an intangible asset related to licenses that said business had in force at the acquisition date for its fair value, which amounted to €11,784 thousand. Its useful life was estimated according to the period in which said licenses/patents will report economic benefits to the Group, which was estimated in 13 years.

### d) Computer software

Acquired computer software licenses are capitalised based on the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are deemed likely to generate economic benefits more than costs beyond one year, are recognised as intangible assets. Directly attributable costs include software developer costs and an appropriate portion of relevant overheads.

Computer programs acquired from third parties or developed in-house that are capitalised are amortised over their estimated useful lives, which do not exceed 5 years and the period after which begin to be amortized once activated, is not greater than one year.

### e) Client contracts

The Group records the value associated with customers contracts acquired in the context of 2019 business combinations related to CIE Golde and AEL for an amount of €6.6 million.

Customer contracts are initially valued at fair value in accordance with the valuation methodology "EMMI- Excess Method of Multi-period Income", which is based on the current value of the cash flows of the business, deducted the amount for contributed assets. Upon recognition, the Group amortizes these assets linearly in the estimated period in which the cash flows will occur, which is generally between 5 and 10 years.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

### 3.3.7 Impairment of non-financial asset

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 3.3.8 Non-current assets (disposal groups) held for sale and discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets (or disposal groups) classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell, if the carrying amount will be recovered primarily through the sale rather than through continuing use.

A discontinued operation is a component of the Group that is disposed of or classified as for sale and represents a line of business or geographical area separated from the rest. The results of discontinued operations are presented separately in the income statement.

### 3.3.9 Financial assets

#### Investments and financial assets

The Group classifies its financial assets in the following valuation categories:

- a) those that are valued subsequently at fair value (whether with changes in other comprehensive income or results), and
- b) those that are valued at amortized cost.

The classification depends on the business model of the entity to manage the financial assets and the contractual terms of the cash flows.

For assets valued at fair value, losses and gains will be recognized in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, it will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for investments in equity at fair value with changes in other comprehensive income (FVOCI).

The Group reclassifies investments in financial assets when and only when its business model to manage those assets changes.

Conventional purchases or sales of financial assets will be recognized and written off, as appropriate, using the accounting for the trading date or the settlement date. Financial assets are derecognised when contractual rights over cash flows have expired or been transferred and the Group has transferred substantially all of its risks and rewards of ownership of the asset.

At the time of initial recognition, the Group values a financial asset at its fair value plus, in the case of a financial asset other than at fair value through profit or loss, the costs of the transaction that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through profit or loss are recorded with a charge to the income statement.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

### Debt instruments

The subsequent valuation of the debt instruments depends on the Group's business model to manage the asset and the characteristics of the cash flows of the asset. There are three valuation categories in which the Group classifies its debt instruments:

- **Amortized cost:** The assets held for the collection of contractual cash flows, when applicable, when these cash flows represent only payments of principal and interest are valued at amortized cost. Interest income from these financial assets is included in financial income according to the effective interest rate method. A gain or loss arising from the de-recognition of accounts is recognized directly in income and is presented in other gains/(losses), together with gains and losses from exchange differences, when applicable. Impairment losses are presented in a separate line in the income statement.
- **Fair value with changes in other comprehensive income (FVOCI):** The assets held for the collection of contractual cash flows and for selling the financial assets, when the cash flows of the assets represent only payments of principal and interest, they value at fair value with changes in other comprehensive income. Movements in the carrying amount are carried to other comprehensive income, except for the recognition of gains or losses from impairment of value, ordinary income from interest and gains or losses from exchange differences that are recognized in profit or loss. When the financial asset is written off, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in financial income according to the effective interest rate method. Gains and losses from exchange differences are presented in other gains/(losses) and the impairment expense is presented in a separate line item in the income statement.
- **Fair value with changes in results (FVPL):** Assets that do not meet the criteria for amortized cost or for fair value with changes in other comprehensive income are recognized at fair value through profit or loss. A gain or loss on an investment in debt that is recognized subsequent to fair value through profit or loss is recognized in income and is presented net within other gains/(losses) in the year in which it arises.

### Equity instruments

The Group subsequently values all investments in equity at fair value. When the Group's management chose to present the gains and losses on the fair value of investments in equity in other comprehensive income, there is no subsequent reclassification of the gains and losses in fair value to results, following the decrease in the investment. Dividends from such investments continue to be recognized in income for the year as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'Other gains/(losses)' in the income statement when applicable. Impairment losses (and reversals of impairment losses) on investments in equity measured at fair value with changes in other comprehensive income are not presented separately from other changes in fair value.

### Impairment

The Group evaluates on a prospective basis the expected credit losses associated with its debt instruments recorded at amortized cost and at fair value with changes in other comprehensive income. The methodology applied to impairment of value depends on whether there has been a significant increase in credit risk.

The value correction for losses of financial assets is based on the hypothesis of compliance risk and expected loss rates. The Group uses the judgment in making these assumptions and selecting the variables for the calculation of the impairment of value based on historical impairment losses, the existing market conditions as well as the forward-looking estimates at the end of each year on which it is informed.

For trade accounts receivable, the Group applies the simplified approach permitted by IFRS 9, which requires that the expected losses be recognized from the initial recognition of accounts receivable. The impairment provision to be recorded for the expected losses is carried out considering a single market, since most of the customers the Group provides are represented in the different geographies where it operates. For its calculation, a coefficient based on the historical defaults of the last years is applied, referenced to a multiplier in function of the macroeconomic conditions that affect the global automobile market.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 3.3.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- a) Hedges of the fair value of recognised liabilities (fair value hedge);
- b) Hedges of a particular risk associated with a recognised asset/liability or a highly probable forecast transaction (cash flow hedge); or
- c) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 8. Movements on the hedging reserve in equity are shown in Note 14. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the residual maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### Derivatives and hedging activities

The effective part of the changes in the fair value of the derivatives that are designated and qualified as cash flow hedges is recognized in the cash flow hedge reserve in equity. The gain or loss related to the ineffective part is recognized immediately in results, within other income/(expenses).

The gain or loss corresponding to the effective part of the interest rate swaps generated by the floating rate loans is recognized in profit or loss under the heading "Financial expenses" at the same time that the interest expense is accrued by the covered loans.

When the option contracts are used to hedge forecasted transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

When forward contracts are used to hedge forecasted transactions, the Group generally designates only the change in the fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses related to the effective portion of the change in the spot component of forward contracts are recognized in the cash flow hedge reserve in equity. The change in the forward element of the contract related to the hedged item ("matured term element") is recognized in other comprehensive income in the costs of the hedge reserve within equity. In some cases, the entity may designate the total change in the fair value of the forward contract (including forward points) as a hedging instrument. In these cases, the gains or losses corresponding to the effective portion of the change in the fair value of the full-term contract are recognized in the cash flow hedge reserve in equity.

When a hedging instrument expires, is sold or terminated, or when a hedge fails to meet the criteria for hedge accounting, any cumulative deferred gain or loss and the deferred costs of the hedge at that time remain in equity until that the anticipated transaction occurs, resulting in the recognition of a non-financial asset such as inventories. When the anticipated transaction is no longer expected, the cumulative gain or loss and deferred hedging costs that were presented in equity are immediately reclassified to profit or loss for the year.

#### **a) Net investment hedges**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in the heading corresponding to the hedged underlying.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

Gains and losses accumulated in equity are included in the income statement when the foreign operation is sold.

As of 31<sup>st</sup> December 2022, and 2021, the Group holds investments which net assets are exposed to the risk of conversion into foreign currency, as well as, financing loans denominated in US dollars formalized through the company CIE Berriz, S.L. The main purpose of this financing agreement, denominated in US dollars, is to support the Group's sustainable growth in North America. In fiscal year 2022, the negative exchange difference generated by this financing, which amounted to €7,353 thousand, has been recognized under the heading "Net investment coverage" in the Consolidated Statement of Comprehensive Income; heading under "foreign currency conversion differences" (€9,605 thousand in fiscal year 2021).

### **b) Derivatives that do not qualify for hedge accounting**

Certain derivatives do not qualify for hedge accounting and are recognised at fair value through profit or loss. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

### **3.3.11 Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost is basically determined as follows:

- Commercial: at acquisition cost, including certain direct costs incurred on the purchase.
- Raw materials and other supplies: at the acquisition price calculated by the methods of average price/FIFO. This acquisition price includes the purchase invoices as well as additional costs until their availability in the storehouse.
- Finished products and in process of manufacture: to pre-established costs, which do not present significant diversions with regard to the royal incurred costs. These costs include the raw materials, labour cost of direct work and direct and indirect expenses of manufacture (based on an operative normal capacity), but it does not include costs for interests.

Obsolete or slow-moving items are written down to their realisable value.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

### **3.3.12 Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Given that this collection is expected in one year or less, they are classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the original effective interest method, less provision for impairment. For commercial accounts receivable, the Group applies the simplified approach permitted by IFRS 9, which requires that the expected losses during its life be recognized from the initial recognition of accounts receivable. For the calculation, the Group considers the historical experience of the percentage of defaults in relation to its volumes of accounts receivable and another series of variables.

Financing through the discounting of bills of exchange is not written off from trade receivables until they are collected and is reflected as bank financing.

Financing through non-recourse factoring, or the sale of customer accounts, allows the account receivable to be cancelled for having transferred the risks associated with it to the financial institution.

### **3.3.13 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

## **NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022**

---

### **3.3.14 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When a Group company acquires shares of the Parent company (treasury shares), the amount paid, including any directly attributable incremental cost (net of income tax) is deducted from equity attributable to the parent's equity owners until the shares are cancelled, reissued or sold. When these shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the parent's equity owners.

### **3.3.15 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in deferred income as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Tax credits in respect of R&D investment, deemed equivalent to grants under IAS 20, are recognised as operating grants in the income statement to the extent they relate to R&D expenditure that has not been capitalised (Note 3.3.18.b)).

The gain on a loan granted by a Government Body at below market interest rates is measured as the difference between the instrument's carrying amount and the amount received; a grant is recognised in the amount of this difference and is recorded in the income statement or in liabilities as a deferred government grant depending on whether the loan finances current expenses or investments in property, plant and equipment.

### **3.3.16 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **3.3.17 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least 12 months after the end of the reporting period.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 3.3.18 Current and deferred income taxes

#### a) Corporate Income tax

Corporate income tax expense for the year comprises current and deferred tax and is calculated on the basis of profit before tax, adjusted for any permanent and/or temporary differences envisaged in the tax laws enacted or substantively enacted at the balance sheet date regarding the calculation of taxable income in the countries where the company and its subsidiaries operate. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax credits and deductions and the tax effect of applying unused tax losses that have not been capitalised are treated as a reduction in income tax expense for the year in which they are applied or offset.

The Parent company is taxed under the tax consolidation system in the regional territory of Bizkaia together with the subsidiaries listed below:

- CIE Berriz, S.L.
- Autokomp Ingeniería, S.A.U.
- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Gestión de Aceites Vegetales, S.L.
- Reciclado de Residuos Grasos, S.L.U.
- Participaciones Internacionales Autometal Dos, S.L.U.
- Industrias Amaya Tellería, S.A.U.
- Mecanizaciones del Sur - Mecasur, S.A.
- CIE Automotive Goiaín, S.L.U.
- CIE Automotive Boroa, S.L.U.
- CIE Roof Systems, S.L.U.
- Recogida de Aceites y Grasas Maresme, S.L.U.
- CIE Golde Holding, S.L.U. (incorporated in the year 2022)
- Reciclados Ecológicos de Residuos, S.L.U. and Biodiesel del Mediterráneo (liquidated in December 2021, and officially registered in February 2022).

In addition, the following companies tax under the regulation of Spanish Territory Regime:

- Grupo Componentes Vilanova, S.L. (representative of the Tax Group)
- Biosur Transformación, S.L.U.
- Advanced Comfort Systems Ibérica, S.L.U.
- Denat 2007, S.L.U.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

Outside Spain it exists the following tax groups:

- In Germany: led by the company CIE Forging Germany, GmbH (previously named Mahindra Forgings Europe AG) and in which also participate the followings: Gesenkschmiede Schneider GmbH, Jeco Jellinghaus GmbH and Falkenroth Umformtechnik GmbH.
- In the United States:
  - o led by the company CIE Automotive USA Inc and in which also participate Century Plastics LLC, Newcor, Inc, Owosso Realty, LLC, Corunna Realty, Corp, Clifford Realty Corp, Machine, Tool and Gears, Inc, Rochester Gears, Inc, CIE Investments USA, Inc, Golde Auburn Hills, LLC and Golde South Africa, LLC.
  - o led by the company Somaschini International Inc. and in which also participate Somaschini North America, LLC. and Somaschini Realty, LLC.
- In Italy: led by the company Somaschini, S.p.a. and in which also participates Somaschini Automotive SRL.

The other CIE Automotive Group companies file individual returns.

### b) Deferred tax

Deferred income taxes are calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Annual Accounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except when the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets deriving from the carryforward of unused tax credits and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised. In the case of tax allowances in respect of investments, the tax credit is accrued as a decrease in expense over the period during which the items of property, plant and equipment that generated the tax credit are depreciated (Note 3.6); this right is recognised with a credit to deferred income. Tax deductions in respect of R&D investment are classified as operating subsidies provided that the R&D expenses that entitle those deductions are taken to expense, that is, they have not been activated (Note 3.3.15).

Moreover, deferred tax assets corresponding to utilised or recognised tax credits relating to R&D activities are recognised in profit or loss on a systematic basis over the periods during which the Group companies expense the costs associated with these activities, based on management's assessment that treatment as a grant best reflects the economic substance of the tax credit. Accordingly, in keeping with IAS 20, the Group treats the tax credit recognised or used as "Other operating income".

Deferred tax assets and liabilities are not recognized for temporary differences between the carrying amount and the tax base of investments in foreign operations, when the Group is able to control the date on which the temporary differences will be reversed or it is probable that these will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the amounts recognised under these headings and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022**

---

**3.3.19 Employee benefits****a) Pension obligations**

The Group's plans are funded through payments to insurance companies or externally managed funds, determined by periodic actuarial calculations. The Group has defined benefit plans and defined contribution of non-significant amounts. A defined benefit plan defines the amount of benefits that an employee will receive, normally on the basis of one or more factors such as age, years of service and compensation.

A defined benefit plan is a plan under which the Group pays fixed contributions to a fund and is required to pay additional contributions if the fund does not have sufficient assets to pay all employees the benefits related to the services provided in the current year and prior years.

The liability recognised in the balance sheet in connection with defined benefit plans is the present value of defined benefit commitments at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the obligation is calculated by discounting the estimated future cash outflows using the interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity (in other comprehensive income) in the period in which they arise in the case of post-employment benefits and in the income statement in the case of long-term employee benefits.

Past-service costs are recognised immediately in the income statement.

**b) Termination benefits**

Termination benefits are paid to employees as a result of the Company's decision to terminate employment contracts before the retirement age or when employees voluntarily agree to resign in return for benefits offered by the Company. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

**c) Profit-sharing and bonus plans**

The Group, when applicable for a subsidiary or as a consequence of past practices, when a implicit obligation has been generated, recognised a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to each subsidiaries' shareholders after certain adjustments.

**3.3.20 Share-based payments**

At 31<sup>st</sup> December 2022 CIE Automotive Group maintains several share-based payment plans settled in equity instruments in its subsidiary Mahindra CIE Automotive, Ltd, listed on the Indian stock market (Appendix I), whose fair value amounts to €1,373 thousand at 31<sup>st</sup> December 2022 (€1,692 thousand at 31<sup>st</sup> December 2021).

Under these plans, the CIE Automotive Group receives services from the plan beneficiaries in exchange for equity instruments (options) in the aforementioned subsidiary.

The fair value of the employee services received in exchange for the grant of such shares/options is recognised as employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions.
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period).

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the company).

The balancing entry for the staff cost recognised is dividend income from the subsidiaries whose shares underlie the options granted and are deliverable at the end of the term of the plan. Delivery of the aforementioned equity instrument gives rise to the corresponding change against the Group's equity.

Likewise, at the General Meeting of shareholders held on 24<sup>th</sup> April 2018, a long-term incentive for the CEO was approved based on the evolution of the share price of CIE Automotive, S.A. This agreement was modified at the General Shareholders' Meeting on 5<sup>th</sup> May 2021 and has been executed in fiscal years 2022 and 2021 (Note 25).

The total estimated cost of this incentive is recognised as personnel expenses in the period when the conditions must be fulfilled.

### 3.3.21 Provisions

Provisions for specific liabilities and charges are recognised when:

- (i) The Group has a present legal or constructive obligation as a result of past events;
- (ii) It is probable that an outflow of resources will be required to settle the obligation; and
- (iii) The amount has been reliably estimated.

Restructuring provisions include employee termination payments. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the probability of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

### 3.3.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable on the sale of goods in the ordinary course of the Group's business activities, stated net of discounts, returns and value added taxes and after the elimination of intragroup sales. The Group recognises revenue when it satisfies an obligation of execution by transferring a good committed to a customer. An asset is transferred when (or as) the customer gains control of that asset.

Revenue is recognised as follows:

#### a) Sales of goods

Revenue is recognized when control of the assets is transferred to customers. At that time, income is recorded for the amount of the consideration that is expected to be entitled in exchange for the transfer of promised goods and services derived from contracts with customers, as well as other income not derived from contracts with customers that constitute ordinary activity. of the group. Accumulated experience is used to estimate and provide for returns at the time of sale.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

In relation to the estimation and provision of discounts, the expected value method is used, and ordinary income is only recognized to the extent that it is highly probable that a significant reversal will not occur. If necessary, a reimbursement liability is recognized for volume discounts expected to be paid to customers in relation to sales made up to the end of the reporting period.

### **b) Interest income**

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues updating the receivable as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

### **c) Royalty revenue**

Revenue from royalties is recognised on an accrual basis in accordance with the substance of the relevant agreements.

### **d) Dividend income**

Dividend income is recognised when the right to receive payment is established.

### **3.3.23 Leases**

Contracts may contain lease and non-lease components. The Group assigns the consideration in the contract to the lease and non-lease components based on their independent prices. However, for real estate leases in which the Group is a lessee, it has decided not to separate the lease and non-lease components, counting them as a single lease component.

The terms of the lease are negotiated on an individual basis and contain a wide variety of terms and conditions. The lease agreements do not impose any other "covenant" other than the real guarantees on the leased assets that are maintained by the lessor. Leased assets cannot be used as collateral for the purpose of financial debt.

Leases are recognized as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially valued on a current value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including fixed payments in essence), less any lease incentive to collect,
- Variable lease payments that depend on an index or rate, initially valued according to the index or rate on the start date,
- Amounts that the Group is expected to pay for residual value guarantees,
- The price of a purchase option if the Group is reasonably certain that it will exercise that option, and
- Penalty payments for termination of the lease, if the term of the lease reflects the exercise by the Group of that option.

Lease payments to be made under reasonably certain extension options are also included in the valuation of the liability.

Lease payments are discounted using the implicit interest rate in the lease. If that rate cannot be easily determined, which is generally the case for leases in the Group, the lessee's incremental rate of indebtedness is used, being the rate that the lessee would have to pay to borrow the funds needed to obtain an asset of similar value to the asset for right of use in a similar economic environment with similar terms, guarantees and conditions.

To determine the incremental rate of indebtedness, the Group:

- When possible, uses recent third-party financing received by the individual tenant as a starting point, adjusted by the changes in financing conditions since third party financing was received,
- Uses an approach that begins with a risk-free interest rate adjusted by the credit risk for leases held by the Group, which do not have recent third-party financing, and

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

- Makes specific adjustments for the lease, such as term, country, currency and guarantee.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and financial cost. The financial cost is charged to income during the lease period so that they produce a constant periodic interest rate on the remaining balance of the liability for each period.

Rights of use assets are valued at cost including the following:

- The impact of the initial valuation of the lease liability,
- any lease payment made on or before the beginning date, less any lease incentive received,
- any initial direct costs, and
- any restoration costs.

Rights of use assets are generally amortized on a straight-line basis during the lower period between the useful life of the asset and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the useful life of the underlying asset. Although the Group revalued its land and buildings that are presented in fixed assets, the Group has decided not to do so for the buildings.

Payments associated with short-term leases of machinery and vehicles and all leases of low-value assets are recognized on a linear basis as an expense in results. Short-term leases are leases with a lease term of 12 months or less. Reduced value assets include computer equipment and small items of office furniture.

### 3.3.24 Dividend distribution

Dividend distribution to the Parent company's shareholders is recognised as a liability in the Group's Consolidated Annual Accounts in the period in which the dividends are approved by the Parent company's shareholders.

### 3.3.25 Environment

Costs incurred by the Group as part of its business activities that are intended to protect the environment and/or improve its environmental record are expensed currently. These costs are capitalised when the expenses represent additions to items of property, plant and equipment intended to make them more environmentally-friendly and minimise their impact on the environment.

### 3.3.26 Current and non-current balances

Those amounts with longer maturity to 12 months from the closing date of the period are considered as non-current balances, assets and liabilities.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

### 4. **Accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 4.1 **Critical accounting estimates and judgements**

The Group makes estimates and judgments regarding the future. The resulting accounting estimates, by definition, will rarely equal the corresponding actual results, but the use of such estimates and judgments poses a significant risk of giving rise to a material adjustment in the carrying amounts of assets and liabilities within the following financial period. These estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### a) Goodwill impairment

The Group assesses annually goodwill for impairment, in accordance with the accounting policy stated in Note 3.3.6.a). The recoverable amounts of cash-generating units, or where appropriate, cash-generating unit groups, have been determined based on value-in-use calculations. These calculations require the use of estimates. The results of this analysis and quantification of the resulting sensitivities are detailed in the Note 8.

As of 31<sup>st</sup> December 2022, within the current macroeconomic and sectoral context, updated market projections have been taken into consideration and that they have not modified the conclusions regarding the recovery of goodwill and that include the possible effects derived from climate change, as well as the impact of different energy pricing scenarios and possible shortages, which are not expected likely (Note 5.5). In this sense, the projections made by the Management already include different considerations about potential future events that may affect the projected cash flows of each of its businesses.

##### b) Estimated fair value of assets, liabilities and contingent liabilities associated with a business combination

In business combinations, the Group classifies or designates, at the acquisition date, the identifiable assets acquired and liabilities assumed as necessary, based on contractual agreements, financial conditions, accounting policies and operating conditions or other pertinent circumstances that exist at the acquisition date in order to subsequently measure the identifiable assets acquired and liabilities assumed, including contingent liabilities, at their acquisition date fair value.

The measurement of the assets acquired and liabilities assumed at fair value requires the use of estimates that depend on the nature of those assets and liabilities in accordance with their prior classification and which, in general, are based on generally accepted measurement methods that take into consideration discounted cash flows associated with those assets and liabilities, comparable quoted prices on active markets and other procedures, as disclosed in the relevant notes to the annual financial statements, broken down by nature. In the case of the fair value of property, plant and equipment, fundamentally consisting of buildings used in operations, the Group uses appraisals prepared by independent experts.

##### c) Income tax

The Group is subject to income taxes in numerous tax territories. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises deferred taxes which, in accordance with prevailing legislation in different tax jurisdictions, result from multiple temporary differences in respect of assets and liabilities. Nonetheless, there are certain transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. In prior years, the Group has and had recognised liabilities for possible tax contingencies based on estimates of potential additional taxes that, if subject to substantial uncertainties, are supported by estimates of the probability of outcome and under review and analysis by third-party advisors

The calculation of income tax expense did not demand significant estimates except with respect to the amount of tax credits recognised in the year.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

If the final outcome (on judgment areas) differs unfavourably by 10% from Management estimates, deferred assets would decrease and income tax expense would increase by approximately €21.9 million (2021: €7.4 million) and if these changes evolved favourably, these deferred tax assets would increase and the income tax expense would decrease by approximately €22.4 million (2021: €14.7 million). These estimates include, mainly, possible changes to the consolidated taxable income of the Basque tax group, as well as the remaining significant tax credits and losses carried forward, which are deemed recoverable within these assumptions.

As of 31<sup>st</sup> December 2022, within the current macroeconomic and sectoral context, updated market projections have been taken into account, as well as the latest internal information available on the near future of each of the businesses owned by the Group. In this sense, the projections made by the Management already include different considerations about potential future events that may affect the projected tax results in each of its jurisdictions in accordance with the latest tax regulations and legislation approved by each of them as of 31<sup>st</sup> December 2022.

d) Fair value of derivatives or other financial instruments.

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by using valuation techniques. The Group exercises judgement in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at the reporting date.

Note 5.1.a).iii) provides a sensitivity analysis for changes to the main assumptions with regard to the measurement of interest rate derivatives.

In relation to valuation of the derivative associated with the quoted price in the market share in CIE Automotive, S.A. (Note 9) a variation of 10% in the share price would affect the result for increasing / decreasing by €4,812 thousand (2021: €5,472 thousand).

e) Pension benefits

The present value of the Group's pension obligations depends on a series of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The determination of the current value of the pension obligations is determined annually through actuarial valuations that imply the realization of several hypotheses that may differ from actual future events: discount rate, future salary increases, mortality rates, etc. Due to the complexity of the valuation and its long-term nature, the calculation of the obligation is very sensitive to changes in these assumptions, which are reviewed at each annual closing. Note 19 includes more information on the Group's pension obligations and assumptions adopted for the corresponding update.

Other key assumptions for employee benefits are based in part on current market conditions.

f) Product warranties

Product warranty risks are recognized when there is a firm claim not covered by the relevant insurance policy. In some specific technologies, such as the roof systems business, the Group records warranty reserves based on expected claims based related to the sale of goods.

### 4.2 Significant judgements in applying accounting policies

The most significant judgements and estimates made in applying the accounting policies described in Note 3 relate to:

- The assumptions and calculations used to test goodwill for impairment, as detailed in Notes 3.3.6.a), 4.1.a) and 8.
- Estimates in respect of the recognition and utilisation of tax credits, as outlined in Notes 3.3.18.b), 4.1.c), 18 and 24.
- Estimation of the useful lives of property, plant and equipment (Note 3.3.4).

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

- In order to value financial derivatives and other assets, the Group uses valuation techniques that are widely used in the financial markets. In general, the valuation of any financial derivative is based on discounted cash flow analysis, based on the interest rate curve, from which the zero-coupon curve is derived together with the discount factors and the implicit forward rates. To value instruments that include options, the Group uses the implied volatility priced in by the markets and option pricing models, such as Black-Scholes for Plain Vanilla options or Vanna-Volga for barrier options. The Group uses professional market applications to this end and engages an independent external advisor when necessary.
- Estimation of the services provided by employees that are remunerated by means of share-based payments (Note 3.3.20).

### 5. Financial risk management

#### 5.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and raw material price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

#### a) Market risk

##### (i) Foreign exchange risk

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialise over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope would also apply to management if are expected to be recognised on the balance sheet within a period of no more than 18 months.

Once defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Current forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The protection against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at 31<sup>st</sup> December 2022, the euro had been devalued/revalued by 10% with respect to all other functional currencies other than euro, all other variables remaining constant, equity would have increased/decreased by €287/€235 million (2021: increased/decreased by €268/€220 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had devalued/revalued by 10% in 2021 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year attributable to the Parent Company would have been €24.2/€19.8 million higher/lower, respectively (2021: €23.2/€19.0 million higher/lower, mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

If as of 31<sup>st</sup> December 2022, the euro had been devalued/revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the Parent company would have varied according to the following table:

|                | Equity<br>(million euros) |                   | Profit after tax<br>(million euros) |                   |
|----------------|---------------------------|-------------------|-------------------------------------|-------------------|
|                | Devalued euro 10%         | Revalued euro 10% | Devalued euro 10%                   | Revalued euro 10% |
| Chinese yuan   | 89                        | (73)              | 6.2                                 | (5.0)             |
| US dollar      | 79                        | (65)              | 10.2                                | (8.4)             |
| Indian rupee   | 61                        | (50)              | 4.3                                 | (3.5)             |
| Brazilian real | 38                        | (31)              | 4.5                                 | (3.7)             |

### (ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

### (iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.



## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group converts the benchmarked floating interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2022 the average interest rate on borrowings denominated in euro had been 100 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €12,100 thousand lower/higher (2021: €14,646 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

As of 31<sup>st</sup> December 2021, the Group had no interest rate hedging derivatives. As of 31<sup>st</sup> December 2022, in relation to the valuation of the derivatives, a 10-basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging derivatives would have decreased equity by €23/€86 thousand.

### b) Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards).

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt at 31<sup>st</sup> December 2022 and 2021 as follows:

| Thousand euro               | Note | 31.12.2022       | 31.12.2021       |
|-----------------------------|------|------------------|------------------|
| Cash and cash equivalents   | 12   | 732,053          | 658,788          |
| Other financial assets      | 9    | 125,283          | 126,135          |
| Undrawn lines of credit     | 15   | 676,908          | 724,767          |
| <b>Liquidity buffer</b>     |      | <b>1,534,244</b> | <b>1,509,690</b> |
| Bank borrowings             | 15   | 2,141,122        | 2,179,853        |
| Other financial liabilities | 9    | 6,012            | -                |
| Cash and cash equivalents   | 12   | (732,053)        | (658,788)        |
| Other financial assets      | 9    | (125,283)        | (126,135)        |
| <b>Net financial debt</b>   |      | <b>1,289,798</b> | <b>1,394,930</b> |

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

Additionally, as of 31<sup>st</sup> December 2022, Shanghai Golde Auto Parts, Co. Ltd., a joint venture in which the Group has a 50% and consolidates using the equity method (Note 9), has a net treasury of €40 million (€36 million in 2021).

The evolution of the Net Financial Debt in 2022 and 2021 is shown in the following table:

| Thousand euro                                           | Cash and cash equivalents<br>(Note 12) | Other financial assets<br>(Note 9) | Bank borrowings<br>(Note 15) | Other financial liabilities (Note 9) | TOTAL              |
|---------------------------------------------------------|----------------------------------------|------------------------------------|------------------------------|--------------------------------------|--------------------|
| <b>Net Financial debt 1<sup>st</sup> January 2021</b>   | <b>565,561</b>                         | <b>105,176</b>                     | <b>(2,248,031)</b>           | <b>(17,630)</b>                      | <b>(1,594,924)</b> |
| Cash flow                                               | 49,031                                 | 13,178                             | 96,166                       | 10,944                               | 169,319            |
| Exchange rate adjustments                               | 44,756                                 | 4,108                              | (23,940)                     | -                                    | 24,924             |
| Other non-monetary movements                            | -                                      | 3,673                              | (7,250)                      | 6,686                                | 3,109              |
| Flows from discontinued operations                      | (560)                                  | -                                  | 3,202                        | -                                    | 2,642              |
| <b>Net Financial debt 31<sup>st</sup> December 2021</b> | <b>658,788</b>                         | <b>126,135</b>                     | <b>2,179,853</b>             | <b>-</b>                             | <b>(1,394,930)</b> |
| Cash flow                                               | 68,765                                 | 7,493                              | 49,717                       | -                                    | 125,975            |
| Exchange rate adjustments                               | 10,415                                 | (3,122)                            | (14,796)                     | -                                    | (7,503)            |
| Other non-monetary movements                            | -                                      | (5,179)                            | (12,264)                     | (6,012)                              | (23,455)           |
| Flows from discontinued operations                      | 3,391                                  | 174                                | 5,752                        | -                                    | 9,317              |
| Discontinued operations (Note 13)                       | (9,306)                                | (218)                              | 10,322                       | -                                    | 798                |
| <b>Net Financial debt 31<sup>st</sup> December 2022</b> | <b>732,053</b>                         | <b>125,283</b>                     | <b>(2,141,122)</b>           | <b>(6,012)</b>                       | <b>(1,289,798)</b> |

The Group's treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2023 will allow facing recurrent payments without increasing net financial debt.

The Group's treasury department monitors Group's liquidity needs forecasts in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities (Note 15).

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Amounts payable to credit institutions in the short term include recurring loans over time amounting to €36.0 million with financial institutions used for the management of operating working capital (€4.6 million as of 31<sup>st</sup> December 2021) (Note 15). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at 31<sup>st</sup> December 2022 of €677 million of undrawn credit lines and loans (31<sup>st</sup> December 2021: €725 million) (Note 15).

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at 31<sup>st</sup> December 2022 and 2021:

| Thousand euro                        | Note | 31.12.2022       | 31.12.2021       |
|--------------------------------------|------|------------------|------------------|
| Inventories                          | 11   | 494,849          | 482,868          |
| Trade and other receivables          | 10   | 309,457          | 284,155          |
| Other current assets                 |      | 47,636           | 51,819           |
| Current tax assets                   |      | 57,311           | 60,467           |
| <b>Current operating assets</b>      |      | <b>909,253</b>   | <b>879,309</b>   |
| Other current financial assets       | 9    | 92,855           | 102,865          |
| Cash and other cash equivalents      | 12   | 732,053          | 658,788          |
| <b>Current assets</b>                |      | <b>1,734,161</b> | <b>1,640,962</b> |
| Trade and other payables             | 16   | 1,026,609        | 934,873          |
| Current tax liabilities              | 17   | 65,218           | 82,007           |
| Current provisions                   | 19   | 173,519          | 135,084          |
| Other current liabilities            | 17   | 176,164          | 168,346          |
| <b>Current operating liabilities</b> |      | <b>1,434,522</b> | <b>1,320,310</b> |
| Current financial borrowings         | 15   | 472,013          | 525,775          |
| Other current financial liabilities  | 9    | 140              | -                |
| <b>Current liabilities</b>           |      | <b>1,906,675</b> | <b>1,846,085</b> |
| <b>TOTAL WORKING CAPITAL</b>         |      | <b>(172,514)</b> | <b>(205,123)</b> |

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short-and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

During the first half of 2021, and as of 1<sup>st</sup> July 2021, the Group renewed its structural financing, negotiating the limit of existing covenants, extending the final maturity of some financing, and modifying some of the financing agents. In this way, the Group has improved the conditions of its financing and, as of 31<sup>st</sup> December 2022, the Group complies with all the ratios required in its financing.

As a result of the above, it may be confirmed that there is no liquidity risk at the Group.

In Notes 15 and 17 borrowings and other non-current liabilities are disclosed by maturity.

There are no significant restrictions to the use of cash/other cash equivalents (Note 12).

### c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary (Note 9).

In addition, each management unit has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

Given the characteristics of the Group's customers, management historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss in accordance with what is described in Note 3.3.9.

An analysis of the maturity of receivables that are overdue by 60 days which are not impaired is provided in Note 10.

According to the entry into force of IFRS 9 of Financial Instruments, the Group has proceeded to estimate the expected loss in its commercial accounts receivable (Note 3.3.9).

### **d) Raw material price risk**

The Group has not a significant risk in raw price variations. In these companies where the risk could exist in market specific situations (plants which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

## **5.2 Hedge accounting**

According to IFRS 9, the effectiveness of the hedge is determined at the beginning of the same and periodically through prospective reviews of its effectiveness to ensure that there is adequate hedge between the hedged risk and the hedging instrument.

The treatment and classification of the Group's hedging transactions are described below:

### **a) Fair value hedges of a recognised asset or liability or a firm commitment**

Changes in the fair value of these derivatives are recognised in the income statement together with any change in the fair values of the assets or liabilities hedged which is attributable to the hedged risk.

### **b) Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are removed from equity and included in the initial cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the requirements for hedge accounting, any cumulative gain or loss that remains recognised in equity remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

Occasionally, despite the goal of achieving a perfect hedge of flows, mismatches may arise between the characteristics of the hedges and the debts hedged. Once a mismatch is detected, and provided that this does not entail disproportionate costs, the derivative is fine-tuned in order to adapt it to the new characteristics of the underlying.

This circumstance may arise in the case of a hedge arranged in anticipation of a highly probable underlying which, when confirmed, requires the readjustment of the derivative to adapt it to the underlying to which it is designated. This situation may arise whether or not the derivative is designated as a hedge at inception i.e., if the underlying has been defined as a highly probable transaction.

### **c) Net investment hedges**

As of 31<sup>st</sup> December 2022, the Group maintained investments whose net assets were exposed to the risk of conversion into foreign currency and foreign resources denominated in dollars formalized through the company CIE Berriz, S.L., which are denominated in dollars, and whose main purpose is to support the group's sustainable growth in North America. In 2022, the negative exchange difference generated by this financing, which amounted to €7,353 thousand, was recognized under the heading "Net Investment Coverage" of the Consolidated Global Income Statement; heading under "foreign currency conversion differences" (2021: €9,605 thousand).

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

### d) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

### e) Effectiveness testing and estimate of the fair value of hedging derivatives

Effectiveness testing: The valuation method used by the Group relates to its risk management strategy. If the main terms of the hedging instrument and hedged underlying match, the changes in cash flows attributable to the hedged risk may be entirely offset.

The Group uses one of three available methods to measure the effectiveness of its hedges. The most common is the offset method (dollar offset), which is used to measure the effectiveness of cash flow hedges on both a retrospective (prior periods) and prospective basis.

Based on the underlying asset and the type of hedge, the Group also uses the variance reduction method and the linear regression methods. The only condition is that the method applied to each hedge to measure its effectiveness must be maintained throughout the life of the hedge.

Measurement of the hedging derivative: The Group uses several tools to measure and manage derivative-related risk. The measurement of derivative instruments is carried out internally; these measurements are cross-checked against valuations provided by independent advisors not related to any financial institution. Professional market tools provided by platforms licensed from Reuters and Bloomberg and specialised financial analytics libraries are used for this purpose.

## 5.3 Fair value estimation

IFRS 13, 'Fair value measurements' explains how to estimate fair value when other international accounting standards so require. This standard stipulates the fair value disclosure requirements applicable to non-financial assets and liabilities.

IFRS 13 defines fair value as the value that would be received or paid, in an orderly transaction on the measurement date, for an asset or liability, regardless of whether this value is directly observable or has been estimated using valuation techniques. To this end the data used must be consistent with the assumptions that market participants would use in considering such a transaction.

Although IFRS 13 leaves the principles set down in other standards intact, it does establish the overall framework for measuring assets and liabilities at fair value when doing so is mandatory under other standards and stipulates additional fair value disclosure requirements.

The Group complies with IFRS 13 requirements in measuring its assets and liabilities at fair value when such fair value measurement is required under other IFRS.

On the basis of the contents of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group reports on how it estimates fair value by level using the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The following table presents the Group's assets and liabilities that are measured at fair value at 31<sup>st</sup> December 2022 and 31<sup>st</sup> December 2021:

| <b>2022 – thousand euro</b>            | <b>Note</b> | <b>Level 2</b> | <b>Level 3</b> | <b>TOTAL</b>   |
|----------------------------------------|-------------|----------------|----------------|----------------|
| Credits at fair value                  | 9/22        | -              | 14,588         | <b>14,588</b>  |
| Derivatives                            | 9           | 1,347          | -              | <b>1,347</b>   |
| <b>Total assets at fair value</b>      |             | <b>1,347</b>   | <b>14,588</b>  | <b>15,935</b>  |
| Derivatives                            | 9           | (6,012)        | -              | (6,012)        |
| <b>Total liabilities at fair value</b> |             | <b>(6,012)</b> | <b>-</b>       | <b>(6,012)</b> |
| <b>2021 – thousand euro</b>            | <b>Note</b> | <b>Level 2</b> | <b>Level 3</b> | <b>TOTAL</b>   |
| Credits at fair value                  | 9/22        | -              | 20,465         | 20,465         |
| Derivatives                            | 9           | 4,563          | -              | 4,563          |
| <b>Total assets at fair value</b>      |             | <b>4,563</b>   | <b>20,465</b>  | <b>25,028</b>  |
| Debts for business acquisitions        | 17          | -              | (232)          | (232)          |
| <b>Total liabilities at fair value</b> |             | <b>-</b>       | <b>(232)</b>   | <b>(232)</b>   |

There were no transfers between levels during 2022 and 2021.

### a) Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at each balance sheet date. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in Level 2.

Specific financial instrument valuation techniques include:

- Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
- Fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.
- It is assumed that the carrying amount of trade receivables and payables is similar to their fair value.
- The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The instruments included in Level 2 relate to financial instruments derivatives (Note 9).

### b) Level 3 financial instruments

If one or more of the significant inputs are not based on data observable in the market, the financial instrument is included in Level 3.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

As of 31<sup>st</sup> December 2022 there are loans granted to Group employees valued at fair value and amounting to €14,588 thousand (2021: €20,465 thousand) (Notes 9 and 22).

In 2021, €6,622 thousand of the contingent liability at fair value resulting from the acquisition of AEL was satisfied. The payable balance as of 31<sup>st</sup> December 2021 amounted to €232 thousand (Rs 20 million), which have been paid in the first half of 2022 for a total amount of €221 thousand.

The Group has not agreements for the offset of financial assets and liabilities.

### 5.4 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the number of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital used. Net debt is calculated as total borrowings plus financial liabilities less cash, cash equivalents and financial assets, all of which are shown in the Consolidated Annual Accounts. Total capital employed is calculated as 'equity', as shown in the Consolidated Annual Accounts, plus net debt.

The Group's strategy, as in previous years, has been to maintain a leverage rate close to 0.50.

The gearing ratios at 31<sup>st</sup> December 2022 and 2021 are as follows:

| Thousand euro                                        | Note   | 2022             | 2021             |
|------------------------------------------------------|--------|------------------|------------------|
| Borrowings                                           | 15     | 2,141,122        | 2,179,853        |
| Financial liabilities                                | 9      | 6,012            | -                |
| Less: Cash and cash equivalents and financial assets | 9/12   | (857,336)        | (784,923)        |
| <b>Net financial debt</b>                            | 5.1.b) | <b>1,289,798</b> | <b>1,394,930</b> |
| Equity                                               |        | 1,504,649        | 1,367,622        |
| <b>Total capital used</b>                            |        | <b>2,794,447</b> | <b>2,762,552</b> |
| <b>Gearing ratio</b>                                 |        | <b>0,46</b>      | <b>0.50</b>      |

At 31<sup>st</sup> December 2022 and 2021, the Group has agreements formalised related with credit and bank loans that oblige it to comply with certain covenants (Note 15).

During the first half of 2021, and with an application date of 1<sup>st</sup> July 2021, the Group novated its structural financing, negotiating the limits of existing "covenants", extending the final maturity of some financing, and modifying some of the financing agents. This way, the Group improved the conditions of its financing and, as of 31<sup>st</sup> December 2022, the Group complies with all the ratios required in its financing.

### 5.5 Climate risk factors

Recent years have highlighted the risks underlying climate change, and the potential impact they may have on financial statements.

The Corporate Department of Environment is responsible for establishing the guidelines and coordinating the actions of the Environmental Plan for plants, gradually integrating environmental criteria in the management of all processes, in its attempt to reduce the impacts of the Group's operations on the environment.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

In this sense, the Group had updated its Environment Policy in 2021, where it was recognized as aligned with the Sustainable Development Goals. Thus, the Group develops products and processes under eco-design concepts, oriented to efficiency, providing necessary resources in continuous improvement through prevention and preservation, the minimization of risks, the reduction of the environmental footprint, the efficient use of natural resources, the minimization of waste, the circularity of materials and the collaboration of the people involved in the processes. Moreover, the Group is aligned with the United Nations 2030 Agenda by establishing environmental objectives to be met by each of the plants and regions where it operates, based on the *Global Reporting Initiative* standards.

Additionally, in December 2022, the Board of Directors of the parent company took another step in its environmental strategy by approving a new roadmap that establishes new medium- and long-term objectives, consistent with what scientific experts and the Paris agreements dictate, for limiting global warming to 1.5°C above pre-industrial levels. Thus, the climate emergency has led the Group to continue strengthening its commitment to climate neutrality by joining the SBTi initiative and setting the clear objective of achieving emissions neutrality no later than 2050.

Below are the action plans established to address each of the climate-related risks that have an impact on the Group's Consolidated Annual Accounts.

### The risks arising from the transition to low-carbon economies

The authorities and governments of different countries have implemented policies to fight against climate change that have affected differently in the different countries where the Group operates. Some of these policies have consisted of promoting sustainable energy consumption in industrial production through fiscal and operational incentives, while in other cases, the use of energies that have a direct impact on the climate has been penalized or stopped.

Regarding the automotive industry, it has been possible to reduce polluting emissions from vehicles, although the latest regulations to fight climate change – the most restrictive in Europe and China – are forcing manufacturers and their suppliers to implement additional solutions to reduce their environmental footprint. In recent years, the Group has been adapting its production process as well as the goods produced to a changing environment, demonstrating its ability to be prepared for the challenges offered by climate change risk.

The Group aims to anticipate the aforementioned measures, having launched certain action plans that allow mitigating in advance the impact of new policies, regulations and trends that climate change has entailed. The lines of work established for this have been the following, and have as main axes the actions on the goods produced and actions on their productive process.

#### - Actions on goods produced

In the context of a changing environment and increasingly aware of the effects of global climate change, the Group has been adapting the sale of its assets to new challenges in the climate and environmental field, and they are directly related to the latest trends in the automotive sector. In this sense, the Group is immersed in a technological transformation, aimed at reducing its corporate footprint, as well as the goods it produces. To achieve these objectives, the Group develops different technologies that provide the efficiency and flexibility necessary to face all challenges with changing volumes and scenarios.

Technological diversity also allows to focus investments on those technologies most demanded by the market in each circumstance. Currently, the market is betting on the electrification of vehicles and more than 80% of the components and subassemblies produced by the Group can be used in any type of vehicle (combustion, electric, hybrid). Despite this considerable percentage of versatility in the goods it produces, the Group has proposed to take advantage of the opportunity offered by the decarbonization of transport to position itself in new products of high added value. These products are related to the engine and power electronics, gearboxes and batteries.

This commitment to batteries has materialized in the investment made by the Group in the company Basquevolt, S.A. (Note 9) with an initial investment of €1.5 million.



## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

Additionally, the Group's technological commitment to meet these environmental objectives focuses on the eco-efficiency and circularity, the light-weighting of vehicles, the improvement of the user experience (noise reduction, light integration, ...), the bet for electric and autonomous vehicles and Industry 4.0 as a key to competitiveness and eco-efficiency, always aiming at the path towards the decarbonization of transport.

These actions are naturally linked to the reduction of environmental impact and mitigation of climate change. For those products that do not yet have a clear substitute in zero-emission vehicles, the Group has defined a strategy with different action plans.

Thus, the Group's spirit of adaptation and flexibility in the products it markets, together with the ability to always be aligned with new market trends, are the Group's main measure to address any market risks to its goods, as well as those that may arise from the transition to low-carbon economies.

- Actions on the productive process

The environmental actions on the production process for the realization of the goods sold to the market have been the following:

- a) *Environmental Investments*: the Group adapts its production facilities to the conditions required by the environmental legislation of the countries where it is located. Consequently, the Group makes investments aimed at minimizing environmental impact, protecting and improving the environment; and incurs expenses derived from environmental actions, which basically correspond to the ordinary expenses for the removal of waste, consulting, measurements and environmental certifications (Note 27).

The adaptation and incorporation of investments that meet the most current environmental requirements implies a direct mitigation of the risk derived from the transition to low-carbon economies in the recovery of the value of their productive assets.

- b) *Energetic efficiency*: the improvement of energy efficiency is a priority objective for the Group, since it contributes to reducing its environmental impact, in addition to implying a direct improvement in competitiveness. The main lines of action consist of energy saving, and emission control. In this line, the Group contracts clean energy for the operation of its facilities wherever this option is available; and with the same philosophy of reducing their emissions and their energy bill, photovoltaic panels have been installed in different facilities in Europe, where, in addition, in 2022 new contracts have been signed for the supply of green energy for own consumption starting 2023; and India, where investment in new solar power plants has continued (Note 9).

In this sense, it is expected that the action plans carried out by the Group in terms of efficiency will mean, in the medium and long term, an improvement in the margin on the goods it produces.

- c) *Water and material consumption*: in the Group's production process, an intensive use of water is carried out. In order to reduce discharges as much as possible, it has its own systems and facilities for water treatment, recirculation and recovery. With regard to raw materials, the Group constantly reviews all processes to make responsible use of raw materials. An example of these practices is the reduction of the gross weight of the products it manufactures, and that implies the reduction of the consumption of energy and other products necessary for the production process.

As in the case of energy efficiency action plans, it is estimated that these actions will also improve the margins of the goods produced.

- d) *Pollution control and waste management*: the Group's environmental management systems are based on the ISO14001 standard, and ensure that pollution does not exceed the levels established by current regulations. On the other hand, the Group's recycling system allows the reincorporation of recycled raw materials into its production process. Those materials that cannot be recycled are collected by specialized managers who prioritize their recycling over their landfill.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

All of these action plans and expected results have been included for each plant in the projections used for the asset impairment analysis described in Note 8.

### The risk of the impact on the margins of adaptation to low-carbon economies

Cost pressure can occur on car producers. During the deployment phase of more sustainable vehicles, the final cost will be higher and, to maintain sales volumes, there is a risk of increased cost pressure on component suppliers.

Faced with this type of scenarios and risks, the Group's model is very effective. Commercial diversification makes dependence on a project or its renovation low, so the freedom to invest in projects is key. To this is added another of the axes of the group, the investment discipline, which leads to a detailed analysis of the projects with volume sensitivity analysis, avoiding those projects with volumes lower than those initially announced have a definitive impact on the returns.

### The direct physical risk posed by climate change in the production process and operations of a business

As of 31<sup>st</sup> December 2022 and 2021, the Group's production facilities, as well as the customers to which it provides, were not located in areas or geographical areas where an imminent climate risk is foreseen.

However, the Group is aware of the unpredictability of the effects of climate change and monitors the impacts that any adverse circumstance may generate in the valuation of the Group's assets, and therefore, in its Consolidated Financial Statements. In this sense, the Group is exposed to physical risks whose possible impacts it manages depending on the typology of each of them:

- a) *Water stress risks: are the risks that can result in the lack of water supply.*
- b) *Acute physical risks: are the risks arising from the occurrence of acute climatic phenomena. These accidental risks are covered by the global Civil Liability policy. To strengthen the management of environmental and safety risks, the Group has initiated a collaboration project with the technical departments of its insurance companies, where risks are evaluated and monetized and an elimination plan is established, or where appropriate, mitigation.*
- c) *Chronic physical risks: they are risks that cause gradual changes with more lasting impact, such as rising average temperatures, rising sea levels or prolonged periods of heat.*

Although the Group's production facilities are not directly threatened by the effect of these chronic physical risks, there are environmental objectives established to be met in all the plants and regions where it operates.

- d) *Protection of biodiversity: due to the location of its production facilities, mostly in industrial estates, the impact of its activities on biodiversity is not considered significant.*

In this sense, for the assumptions used in the analysis of impairment of assets described in Note 8, the Group has considered macroeconomic variables that already take into account, implicitly, the impacts that climate change may have in each of the geographies where it operates. The growth rates, discount rates and risk rates used are market ratios that implicitly also reflect the valuation of climate risk. These rates do not show significant differences with those used in previous years. Due to the very nature of the activity, it is considered that there is no material impact of the risk of climate change that implies an indication of deterioration, for any of the Group's cash generating units.

As a consequence, based on the foregoing, it is not expected that there will be substantial changes in the Group's future estimates (provisions, changes in useful lives, etc.) nor significant impacts on the recovery analysis of non-financial assets taking into account that these impacts have already been incorporated into the Group's business plans.

## **6. Operating segment information**

The Group produces parts and components for the automotive industry, operating as a TIER 2 supplier in most cases. Although the Group supplies certain automobile manufacturers (OEMs) directly, on these occasions the Group usually acts as a TIER 2 supplier, with the OEMs assuming the role of the TIER 1 supplier.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The Group's business model is based on two strategic focal points: multi-technology and the global market, implying the ability to supply technology worldwide.

- **Multi-technology:** command of different technologies and processes enables the Group to offer complex high value-added products. The Group has the capacity to design and manufacture products using alternative or complementary technologies.
- **Global market:** worldwide industrialisation and supply capacity. The Group's customers are global and it has the ability to supply them from different geographic areas.

The Board of Directors is the Group's chief operating decision-making body, who reviews the Group's internal financial information for the purposes of evaluating performance and assigning resources to operating segments.

Management has determined the operating segments based on the structure of the reports reviewed by the Board of Directors, which analyses the business of the CIE Automotive Group from a geographical markets perspective in which it operates.

In this sense, the Group divides its area of activity into three geographic markets: America, Asia and Europe. In turn, the geographic markets of America and Europe are divided, respectively, into two different segments each, being North America and Brazil for the American market, and Mahindra CIE Europe and the rest of Europe for the European market. Thus, the Group's financial information is presented according to the following segments:

- **North America:** it includes, basically Group companies located in Mexico and United States.
- **Brazil:** it includes basically Group companies located in Brazil.
- **Asia:** it includes the Indian companies of the Mahindra CIE group, as well as the companies located in the People's Republic of China.
- **Mahindra CIE Europe:** it includes the business for the manufacture of European forges, dependent on the Mahindra CIE group (subsidiary).
- **Rest of Europe:** it includes all non-dependent of Mahindra CIE subgroup manufacturing businesses basically located in Europe.

The Group manages the operating segments corresponding to continuing activities based, mainly, on the evolution of the main financial figures of each segment, such as the revenue, EBITDA, EBIT and investments in fixed assets. Meanwhile, financial income and expenses, as well as income tax expense and the allocation of results to minority shareholders are jointly analysed at the Group level, since they are managed centrally.

### a) Operating segments information for continuing operations

Results per operating segments are as follows:

| Thousand euro                                                                 | 31 <sup>st</sup> December 2022 |               |                |                     |                |                    | 31 <sup>st</sup> December 2021 <sup>(*)</sup> |               |                |                     |                |                    |
|-------------------------------------------------------------------------------|--------------------------------|---------------|----------------|---------------------|----------------|--------------------|-----------------------------------------------|---------------|----------------|---------------------|----------------|--------------------|
|                                                                               | NORTH AMERICA                  | BRAZIL        | ASIA           | MAHINDRA CIE EUROPE | REST OF EUROPE | TOTAL              | NORTH AMERICA                                 | BRAZIL        | ASIA           | MAHINDRA CIE EUROPE | REST OF EUROPE | TOTAL              |
| Revenue                                                                       | 1,139,615                      | 311,155       | 1,079,150      | 353,203             | 955,483        | <b>3,838,806</b>   | 872,591                                       | 215,927       | 903,756        | 263,887             | 837,129        | <b>3,093,290</b>   |
| Other operating expenses and income (excluding depreciation and amortisation) | (927,273)                      | (253,076)     | (892,999)      | (301,681)           | (830,205)      | <b>(3,205,234)</b> | (677,940)                                     | (170,584)     | (759,619)      | (217,559)           | (702,578)      | <b>(2,528,280)</b> |
| Depreciation, amortisation and impairment                                     | (52,078)                       | (11,640)      | (40,528)       | (11,575)            | (70,812)       | <b>(186,633)</b>   | (40,724)                                      | (16,083)      | (35,366)       | (10,811)            | (60,148)       | <b>(163,132)</b>   |
| <b>Operating profit</b>                                                       | <b>160,264</b>                 | <b>46,439</b> | <b>145,623</b> | <b>39,947</b>       | <b>54,466</b>  | <b>446,739</b>     | <b>153,927</b>                                | <b>29,260</b> | <b>108,771</b> | <b>35,517</b>       | <b>74,403</b>  | <b>401,878</b>     |
| <b>EBITDA<sup>(**)</sup></b>                                                  | <b>212,342</b>                 | <b>58,079</b> | <b>186,151</b> | <b>51,522</b>       | <b>125,278</b> | <b>633,372</b>     | <b>194,651</b>                                | <b>45,343</b> | <b>144,137</b> | <b>46,328</b>       | <b>134,551</b> | <b>565,010</b>     |

(\*) Re-casted figures, see Note 3.

(\*\*) EBITDA (gross operating income) results from summing depreciation, amortisation and impairment to the net operating profit.

Transactions between Group companies are performed under market conditions.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The reconciliation of the Operating profit and the Profit attributable to owners of the Parent company is as follows:

| Thousand euro                                                         | Note | 2022           | 2021 <sup>(*)</sup> |
|-----------------------------------------------------------------------|------|----------------|---------------------|
| <b>Operating profit</b>                                               |      | <b>446,739</b> | <b>401,878</b>      |
| Financial income (expense)                                            | 23   | (24,124)       | (28,037)            |
| Share in profits of joint ventures and associates                     | 9    | 11,432         | 6,971               |
| Gains /(losses) on the fair value of derivative financial instruments | 9/23 | (12,778)       | (20)                |
| Corporate income tax                                                  | 24   | (88,603)       | (88,347)            |
| Discontinued operations                                               | 13   | 9,554          | 1,030               |
| Attributed to non-controlling interests                               | 14   | (42,100)       | (25,931)            |
| <b>Profit attributable to the Parent company</b>                      |      | <b>300,120</b> | <b>267,544</b>      |

(\*) Recastes figures, see Note 3.

Segments' assets, liabilities and capital expenditure of the year are as follows:

| 31 <sup>st</sup> December 2022                                         |                  |                |                  |                     |                  |                  |
|------------------------------------------------------------------------|------------------|----------------|------------------|---------------------|------------------|------------------|
| Thousand euro                                                          | NORTH AMERICA    | BRAZIL         | ASIA             | MAHINDRA CIE EUROPE | REST OF EUROPE   | TOTAL            |
| Investments in joint ventures and associates                           | 8,185            | 5,546          | 42,625           | -                   | 1,573            | 57,929           |
| Rest of assets                                                         | 1,400,801        | 476,884        | 1,870,239        | 656,762             | 1,180,772        | 5,585,458        |
| <b>Total assets</b>                                                    | <b>1,408,986</b> | <b>482,430</b> | <b>1,912,864</b> | <b>656,762</b>      | <b>1,182,345</b> | <b>5,643,387</b> |
| <b>Total liabilities</b>                                               | <b>634,819</b>   | <b>130,442</b> | <b>563,705</b>   | <b>302,963</b>      | <b>2,483,756</b> | <b>4,115,685</b> |
| Fixed asset additions <sup>(*)</sup>                                   | 61,748           | 22,414         | 67,740           | 17,709              | 55,283           | 224,894          |
| Disposal of assets net of depreciation and amortisation <sup>(*)</sup> | (402)            | (2,510)        | (2,273)          | (406)               | (3,960)          | (9,551)          |
| <b>Net investments for the year</b>                                    | <b>61,346</b>    | <b>19,904</b>  | <b>65,467</b>    | <b>17,303</b>       | <b>51,323</b>    | <b>215,343</b>   |

| 31 <sup>st</sup> December 2021                                         |                  |                |                  |                     |                  |                  |
|------------------------------------------------------------------------|------------------|----------------|------------------|---------------------|------------------|------------------|
| Thousand euro                                                          | NORTH AMERICA    | BRAZIL         | ASIA             | MAHINDRA CIE EUROPE | REST OF EUROPE   | TOTAL            |
| Investments in joint ventures and associates                           | 5,697            | 4,060          | 38,610           | -                   | 32               | 48,399           |
| Rest of assets                                                         | 1,278,248        | 386,546        | 1,845,219        | 634,087             | 1,205,616        | 5,349,716        |
| <b>Total assets</b>                                                    | <b>1,283,945</b> | <b>390,606</b> | <b>1,883,829</b> | <b>634,087</b>      | <b>1,205,648</b> | <b>5,398,115</b> |
| <b>Total liabilities</b>                                               | <b>612,446</b>   | <b>137,646</b> | <b>553,243</b>   | <b>319,620</b>      | <b>2,391,885</b> | <b>4,014,840</b> |
| Fixed asset additions <sup>(*)</sup>                                   | 49,959           | 11,564         | 56,379           | 15,209              | 67,546           | 200,657          |
| Disposal of assets net of depreciation and amortisation <sup>(*)</sup> | (519)            | (4,330)        | (1,875)          | (468)               | (527)            | (7,719)          |
| <b>Net investments for the year</b>                                    | <b>49,440</b>    | <b>7,234</b>   | <b>54,504</b>    | <b>14,741</b>       | <b>67,019</b>    | <b>192,938</b>   |

(\*) Fixed assets additions and disposals do not include IFRS 16 effects

Assets mainly include property, plant and equipment, intangible assets (including goodwill), deferred tax assets, inventories, accounts receivable and cash. Investments in subsidiaries included in the consolidation scope are shown separately.

Liabilities include, mainly, operating liabilities and long and short-term financing, excluding intragroup liabilities eliminated on consolidation.

Investments in non-current assets include additions to property, plant and equipment (Note 7.1) and intangible assets (Note 7.2).

The figures corresponding to the net amount of the revenue and non-current assets, excluding deferred tax assets and non-current financial assets and investments in joint ventures and associates, by geographical areas are the following:

| Thousand euro          | Revenue          |                     | Non-current assets |                  |
|------------------------|------------------|---------------------|--------------------|------------------|
|                        | 2022             | 2021 <sup>(*)</sup> | 31.12.2022         | 31.12.2021       |
| Europe <sup>(**)</sup> | 1,308,686        | 1,101,016           | 1,349,041          | 1,416,467        |
| Brazil                 | 311,155          | 215,927             | 215,441            | 196,750          |
| North America          | 1,139,615        | 872,591             | 846,964            | 775,107          |
| China                  | 444,836          | 440,134             | 586,904            | 587,027          |
| India                  | 634,314          | 463,622             | 508,315            | 513,606          |
| <b>TOTAL</b>           | <b>3,838,606</b> | <b>3,093,020</b>    | <b>3,506,665</b>   | <b>3,488,957</b> |

(\*) Re-casted figures, see Note 3.

(\*\*) Sales to Spain for the year 2022 have amounted to €150,538 thousand (2021: €144,794 thousand).

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 7. Property, plant and equipment and intangible assets

#### 7.1 Property, plant and equipment

Set out below is a breakdown of property, plant and equipment showing movements:

| Thousand euro                                 | 01.01.2022         | ADDITIONS <sup>(*)</sup> | DISPOSALS       | TRANSFERS AND OTHER MOVEMENTS <sup>(**)</sup> | DISCONTINUED ACTIVITIES | 31.12.2022         |
|-----------------------------------------------|--------------------|--------------------------|-----------------|-----------------------------------------------|-------------------------|--------------------|
| Land and buildings                            | 653,777            | 12,530                   | (15,888)        | 20,356                                        | (29,824)                | 640,951            |
| Plant and machinery                           | 2,292,125          | 64,729                   | (22,460)        | 124,632                                       | (160,688)               | 2,298,338          |
| Other fixed assets                            | 393,960            | 25,785                   | (10,690)        | 637                                           | (36,676)                | 373,016            |
| Down-payments and assets under construction   | 113,325            | 117,718                  | (1,068)         | (88,172)                                      | (162)                   | 141,641            |
| Right of use of Assets - IFRS 16 (Note 7.1.e) | 120,833            | 44,916                   | (17,103)        | (2,027)                                       | (17,862)                | 128,757            |
| <b>TOTAL COST</b>                             | <b>3,574,020</b>   | <b>265,678</b>           | <b>(67,209)</b> | <b>55,426</b>                                 | <b>(245,212)</b>        | <b>3,582,703</b>   |
| Land and buildings                            | (240,998)          | (16,767)                 | 10,808          | (11,150)                                      | 19,762                  | (238,345)          |
| Plant and machinery                           | (1,411,740)        | (114,537)                | 18,637          | (32,315)                                      | 138,375                 | (1,401,580)        |
| Other fixed assets                            | (281,395)          | (21,401)                 | 7,886           | 7,210                                         | 31,032                  | (256,668)          |
| Right of use of Assets - IFRS 16 (Note 7.1.e) | (46,406)           | (23,505)                 | 12,926          | 2,440                                         | 5,591                   | (48,954)           |
| <b>TOTAL DEPRECIATION</b>                     | <b>(1,980,539)</b> | <b>(176,210)</b>         | <b>50,257</b>   | <b>(33,815)</b>                               | <b>194,760</b>          | <b>(1,945,547)</b> |
| Plant and machinery                           | (18,156)           | (9,398)                  | 3,357           | (533)                                         | 1,021                   | (23,709)           |
| <b>TOTAL IMPAIRMENT</b>                       | <b>(18,156)</b>    | <b>(9,398)</b>           | <b>3,357</b>    | <b>(533)</b>                                  | <b>1,021</b>            | <b>(23,709)</b>    |
| <b>CARRYING AMOUNT</b>                        | <b>1,575,325</b>   |                          |                 |                                               |                         | <b>1,613,447</b>   |

| Thousand euro                                 | 01.01.2021         | ADDITIONS <sup>(*)</sup> | DISPOSALS        | TRANSFERS AND OTHER MOVEMENTS <sup>(**)</sup> | 31.12.2021         |
|-----------------------------------------------|--------------------|--------------------------|------------------|-----------------------------------------------|--------------------|
| Land and buildings                            | 603,672            | 10,513                   | (716)            | 40,308                                        | 653,777            |
| Plant and machinery                           | 2,231,585          | 37,840                   | (82,102)         | 104,802                                       | 2,292,125          |
| Other fixed assets                            | 313,184            | 37,538                   | (33,252)         | 76,490                                        | 393,960            |
| Down-payments and assets under construction   | 121,615            | 106,133                  | (6,295)          | (108,128)                                     | 113,325            |
| Right of use of Assets - IFRS 16 (Note 7.1.e) | 113,499            | 17,266                   | (18,140)         | 8,208                                         | 120,833            |
| <b>TOTAL COST</b>                             | <b>3,383,555</b>   | <b>209,290</b>           | <b>(140,505)</b> | <b>121,680</b>                                | <b>3,574,020</b>   |
| Land and buildings                            | (220,667)          | (13,391)                 | 799              | (7,739)                                       | (240,998)          |
| Plant and machinery                           | (1,394,410)        | (93,380)                 | 76,363           | (313)                                         | (1,411,740)        |
| Other fixed assets                            | (244,763)          | (26,321)                 | 32,469           | (42,780)                                      | (281,395)          |
| Right of use of Assets - IFRS 16 (Note 7.1.e) | (34,173)           | (21,143)                 | 14,122           | (5,212)                                       | (46,406)           |
| <b>TOTAL DEPRECIATION</b>                     | <b>(1,894,013)</b> | <b>(154,235)</b>         | <b>123,753</b>   | <b>(56,044)</b>                               | <b>(1,980,539)</b> |
| Plant and machinery                           | (13,560)           | (9,817)                  | 5,676            | (455)                                         | (18,156)           |
| <b>TOTAL IMPAIRMENT</b>                       | <b>(13,560)</b>    | <b>(9,817)</b>           | <b>5,676</b>     | <b>(455)</b>                                  | <b>(18,156)</b>    |
| <b>CARRYING AMOUNT</b>                        | <b>1,475,982</b>   |                          |                  |                                               | <b>1,575,325</b>   |

(\*) Includes €4,085 thousand of capital expenditure as of 31<sup>st</sup> December 2022 (2021: €3,966 thousand). In addition, depreciation expense classified as discontinued activities as of 31<sup>st</sup> December 2022 amounts to €6,994 thousand (€8,015 thousand as of 31<sup>st</sup> December 2021).

(\*\*) It basically includes the effect of exchange rate fluctuations of PPE currency of foreign subsidiaries and transfers from assets under construction to finished assets.

#### a) Property, plant and equipment by geographical area

Set out below is a breakdown of property, plant and equipment by geographical location at 31<sup>st</sup> December 2022 and 2021:

| Million euros | 31 <sup>st</sup> December 2022 |                                      |                 | 31 <sup>st</sup> December 2021 |                                      |                 |
|---------------|--------------------------------|--------------------------------------|-----------------|--------------------------------|--------------------------------------|-----------------|
|               | COST                           | ACCUMULATED DEPRECIATION/ IMPAIRMENT | CARRYING AMOUNT | COST                           | ACCUMULATED DEPRECIATION/ IMPAIRMENT | CARRYING AMOUNT |
| AMERICA       | 1,302                          | (605)                                | 697             | 1,126                          | (514)                                | 612             |
| EUROPE        | 1,660                          | (1,067)                              | 593             | 1,863                          | (1,204)                              | 659             |
| ASIA          | 621                            | (298)                                | 323             | 585                            | (281)                                | 304             |
| <b>TOTAL</b>  | <b>3,583</b>                   | <b>(1,970)</b>                       | <b>1,613</b>    | <b>3,574</b>                   | <b>(1,999)</b>                       | <b>1,575</b>    |

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### b) Assets not used in operations

At 31<sup>st</sup> December 2022 and 2021 no significant items of property, plant and equipment are not used in operations.

### c) Property, plant and equipment subject to guarantees

As of 31<sup>st</sup> December 2022, net book value of property, plant and equipment subject to guarantees related to debts with financial institutions was not significant (2022: €0.1 million, 2021: €0.2 million).

### d) Insurance

The Group has taken out a number of insurance policies to cover risks relating to property, plant and equipment. The scope coverage of these policies is considered to be sufficient.

### e) Right of use of assets and lease liabilities

Plant and equipment include the following amounts in respect of finance leases under which the Group is the lessee:

| Thousand euro                                       | RIGHT OF USE OF ASSETS |                    |                          |                 | LEASE LIABILITIES |               |                   |
|-----------------------------------------------------|------------------------|--------------------|--------------------------|-----------------|-------------------|---------------|-------------------|
|                                                     | LAND AND BUILDINGS     | OTHER FIXED ASSETS | ACCUMULATED AMORTIZATION | TOTAL ASSETS    | LONG TERM         | SHORT TERM    | TOTAL LIABILITIES |
| <b>31<sup>st</sup> December 2021</b>                | <b>100,500</b>         | <b>20,333</b>      | <b>(46,406)</b>          | <b>74,427</b>   | <b>57,813</b>     | <b>19,606</b> | <b>77,419</b>     |
| Additions                                           | 38,590                 | 6,326              | -                        | <b>44,916</b>   | 38,954            | 5,962         | <b>44,916</b>     |
| Disposals                                           | (12,392)               | (4,711)            | 12,926                   | <b>(4,177)</b>  | (92)              | (4,085)       | <b>(4,177)</b>    |
| Depreciation expense <sup>(*)</sup> / Payments made | -                      | -                  | (23,505)                 | <b>(23,505)</b> | -                 | (25,790)      | <b>(25,790)</b>   |
| Debt update expenses                                | -                      | -                  | -                        | -               | 3,224             | -             | <b>3,224</b>      |
| Long term/Short term transfers                      | -                      | -                  | -                        | -               | (25,396)          | 25,396        | -                 |
| Discontinued operations (Note 13)                   | (16,801)               | (1,061)            | 5,591                    | <b>(12,271)</b> | (11,358)          | (1,459)       | <b>(12,817)</b>   |
| Transfers and other <sup>(**)</sup>                 | (1,727)                | (300)              | 2,440                    | <b>413</b>      | (346)             | 662           | <b>316</b>        |
| <b>31<sup>st</sup> December 2022</b>                | <b>108,170</b>         | <b>20,587</b>      | <b>(48,954)</b>          | <b>79,803</b>   | <b>62,799</b>     | <b>20,292</b> | <b>83,091</b>     |

| Thousand euro                                  | RIGHT OF USE OF ASSETS |                    |                          |                 | LEASE LIABILITIES |               |                   |
|------------------------------------------------|------------------------|--------------------|--------------------------|-----------------|-------------------|---------------|-------------------|
|                                                | LAND AND BUILDINGS     | OTHER FIXED ASSETS | ACCUMULATED AMORTIZATION | TOTAL ASSETS    | LONG TERM         | SHORT TERM    | TOTAL LIABILITIES |
| <b>31<sup>st</sup> December 2020</b>           | <b>93,380</b>          | <b>20,119</b>      | <b>(34,173)</b>          | <b>79,326</b>   | <b>61,681</b>     | <b>21,731</b> | <b>83,412</b>     |
| Additions                                      | 9,564                  | 7,702              | -                        | <b>17,266</b>   | 10,582            | 6,684         | <b>17,266</b>     |
| Disposals                                      | (10,297)               | (7,843)            | 14,122                   | <b>(4,018)</b>  | (2,729)           | (1,289)       | <b>(4,018)</b>    |
| Depreciation expense / Payments <sup>(*)</sup> | -                      | -                  | (21,143)                 | <b>(21,143)</b> | -                 | (24,477)      | <b>(24,477)</b>   |
| Debt update expenses                           | -                      | -                  | -                        | -               | 2,262             | -             | <b>2,262</b>      |
| Long term/Short term transfers                 | -                      | -                  | -                        | -               | (14,303)          | 14,303        | -                 |
| Transfers and other <sup>(**)</sup>            | 7,853                  | 355                | (5,212)                  | <b>2,996</b>    | 320               | 2,654         | <b>2,974</b>      |
| <b>31<sup>st</sup> December 2021</b>           | <b>100,500</b>         | <b>20,333</b>      | <b>(46,406)</b>          | <b>74,427</b>   | <b>57,813</b>     | <b>19,606</b> | <b>77,419</b>     |

(\*) Includes depreciation expense amounting to €1,593 thousand classified as discontinued operations as of 31<sup>st</sup> December 2022 (€1,779 thousand as of 31<sup>st</sup> December 2021), as well as payments amounting to €1,763 thousand (€1,916 thousand as of 31<sup>st</sup> December 2021).

(\*\*) It mainly includes the effect of the exchange rate fluctuations derived from foreign subsidiaries' property, plant and equipment.

The discount rates, estimated based on the cost of financing each of the Cash Generating Unit (CGU) groups operated by the Group, have been as follows:

|                     | 2022          | 2021          |
|---------------------|---------------|---------------|
| Brazil              | 12.00%        | 7.50%         |
| North America       | 6.00%         | 3.00%         |
| Asia                | 4.50% - 7.50% | 5.00% - 8.50% |
| Mahindra CIE Europe | 3.25%         | 1.25%         |
| Rest of Europe      | 3.25%         | 1.25%         |

### f) Capitalisation of borrowing costs

The Group did not capitalise any borrowing cost in 2022 or 2021 involving significant amounts.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### g) Commitments

Capital expenditure agreements committed for at the period end, but not yet incurred is as follows:

| Thousand euro                 | 31.12.2022 | 31.12.2021 |
|-------------------------------|------------|------------|
| Property, plant and equipment | 82,054     | 39,147     |

These investments are financed mainly through the cash generated by the Group's activities and structured via payment agreements with suppliers and equipment vendors and if necessary, bank borrowings.

### 7.2 Goodwill and other intangible assets of defined useful life

Set out below is an analysis of the main intangible asset classes showing movements in assets:

| Thousand euro                             | 31.12.2021       | ADDITIONS <sup>(*)</sup> | DISPOSALS      | TRANSFERS<br>AND OTHER <sup>(**)</sup> | DISCONTINUED<br>ACTIVITIES<br>(Note 13) | 31.12.2022       |
|-------------------------------------------|------------------|--------------------------|----------------|----------------------------------------|-----------------------------------------|------------------|
| Goodwill on consolidation                 | 1,830,247        | -                        | -              | (2,869)                                | -                                       | 1,827,378        |
| R&D (development)                         | 40,138           | 1,758                    | (3,320)        | 627                                    | -                                       | 39,203           |
| Computer applications                     | 46,230           | 1,426                    | (1,737)        | 965                                    | (2,477)                                 | 44,407           |
| Patents, licenses, trademarks and similar | 12,784           | -                        | -              | -                                      | -                                       | 12,784           |
| Prepayments and other                     | 12,670           | 948                      | (216)          | (934)                                  | -                                       | 12,468           |
| <b>TOTAL COST</b>                         | <b>1,942,069</b> | <b>4,132</b>             | <b>(5,273)</b> | <b>(2,211)</b>                         | <b>(2,477)</b>                          | <b>1,936,240</b> |
| <b>TOTAL ACCUMULATED AMORTISATION</b>     | <b>(76,190)</b>  | <b>(8,037)</b>           | <b>5,140</b>   | <b>(352)</b>                           | <b>(2,407)</b>                          | <b>(77,032)</b>  |
| <b>TOTAL IMPAIRMENT</b>                   | <b>(48)</b>      | <b>-</b>                 | <b>-</b>       | <b>(136)</b>                           | <b>-</b>                                | <b>(184)</b>     |
| <b>CARRYING AMOUNT</b>                    | <b>1,865,831</b> |                          |                |                                        |                                         | <b>1,859,024</b> |

| Thousand euro                             | 31.12.2020       | ADDITIONS <sup>(*)</sup> | DISPOSALS      | TRANSFERS<br>AND OTHER <sup>(**)</sup> | 31.12.2021       |
|-------------------------------------------|------------------|--------------------------|----------------|----------------------------------------|------------------|
| Goodwill on consolidation                 | 1,738,622        | -                        | -              | 91,625                                 | 1,830,247        |
| R&D (development)                         | 39,863           | 5,589                    | (546)          | (4,768)                                | 40,138           |
| Computer applications                     | 46,115           | 1,921                    | (2,300)        | 494                                    | 46,230           |
| Patents, licenses, trademarks and similar | 12,784           | -                        | -              | -                                      | 12,784           |
| Prepayments and other                     | 12,118           | 1,123                    | (48)           | 523                                    | 12,670           |
| <b>TOTAL COST</b>                         | <b>1,849,502</b> | <b>8,633</b>             | <b>(2,894)</b> | <b>86,828</b>                          | <b>1,942,069</b> |
| <b>TOTAL ACCUMULATED AMORTISATION</b>     | <b>(77,738)</b>  | <b>(7,067)</b>           | <b>2,233</b>   | <b>6,382</b>                           | <b>(76,190)</b>  |
| <b>TOTAL IMPAIRMENT</b>                   | <b>-</b>         | <b>(48)</b>              | <b>-</b>       | <b>-</b>                               | <b>(48)</b>      |
| <b>CARRYING AMOUNT</b>                    | <b>1,771,764</b> |                          |                |                                        | <b>1,865,831</b> |

(\*) Includes €64 thousand of capital expenditure as of 31<sup>st</sup> December 2022 (2021: €0 thousand). In addition, depreciation expense classified as discontinued activities as of 31<sup>st</sup> December 2022 amounts to €18 thousand (€20 thousand as of 31<sup>st</sup> December 2021).

(\*\*) Basically includes the effect of exchange rate fluctuations of intangible assets and goodwill currency of foreign subsidiaries.

Goodwill is assigned to the Group's cash-generating units (CGUs) groups on the basis of the criterion of grouping together under each CGU group all the Group's assets and liabilities that jointly and indivisibly generate cash flows in an area of the business from a technology and/or geographical and/or customer viewpoint, on the basis of the synergies and risks shared.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The breakdown of goodwill as of 31<sup>st</sup> December 2022 and 2021, assigned to each CGU group level, detailed by operating segment is set out below:

| Thousand euro       | 31.12.2022       | 31.12.2021       |
|---------------------|------------------|------------------|
| North America       | 290,010          | 274,281          |
| Brazil              | 69,960           | 62,737           |
| Asia                | 741,876          | 765,899          |
| Mahindra CIE Europe | 332,106          | 332,106          |
| Rest of Europe      | 393,426          | 395,224          |
| <b>TOTAL</b>        | <b>1,827,378</b> | <b>1,830,247</b> |

### 8. Goodwill and fixed assets impairment

#### a) **Methodology in the analysis of signs of impairment of fixed assets**

The Group carries out, at least once each year, a recovery analysis on its tangible and intangible assets, including goodwill. This analysis is carried out on two levels:

- Productive and intangibles assets with a defined useful life
- Goodwill

#### Productive and intangibles assets of defined use of life

The property, plant and equipment is subject to continuous assessments by the technicians of each production plant together with the management control team of each of them, keeping a control on the profitability of the projects according to the projections available continuously, and considering evidences of impairment of assets associated with projects with deficient returns.

Regardless of the continuous evaluation of these projects, the Group annually carries out an assessment to update the financial projections for each cash-generating unit which consists of a period of five years and which is used to formalize an analysis of the recovery of the net value accounted for all fixed and intangible assets of each production plant. Based on this annual assessment, as well as through the continuous evolution of each project, all possible impairment of the assets is recorded by the Group.

In the case of intangible assets with a defined useful life recognized by the Group in a business combination, which basically correspond to licenses and contracts related to customers, the Group verifies the evolution of cash flows considered for their initial calculation has not significantly, evidencing an impairment loss.

In 2022, the registered impairments of fixed assets mainly refer to productive assets (machinery and technical facilities) in Russia (Note 1). In 2021, the Group carried out impairment of fixed assets for €9.8 million; that mainly referred to very specific productive assets (machinery) dedicated to certain projects, which were terminated early by decision of the client or substantially modified the units to be produced in the remaining useful life of the machinery.

#### Goodwill

The recoverable amount of the goodwill assigned to each CGUs or group of CGUs is determined based on value in use calculations. These calculations use cash flow projections based on the financial budget approved by Management, which generally covers a period of five years. Cash flows beyond the five-year period are forecasted assuming a market hypothesis regarding growth rates, in any case lower than the long-term average growth rate for the country in which each the CGU or group of CGUs has its businesses.

To calculate the value in use, assumptions of future cash flows are used in accordance with the global situation of the markets in which the Group operates, as well as with their expected future evolution.



## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### b) Assumptions used in the calculation of value in use of the Group's businesses

The assumptions used by the Group are the sales and margins generated by each cash-generating unit for the period for which the projections are forecasted, in addition to the annual growth rate and discount rate applied to calculate the value in use of each one of the CGUs or group of CGUs, and detailed by segment.

#### Sales and margins projection

Sales estimates are made at the level of each CGU and below it, at the level of each project, taking into account the confirmed purchase orders at the time of the budget, the portfolio of the different customers for each project, the estimated production units for ongoing projects in the forecasted period and future projects for which the Group has already been nominated.

The gross operating margin (EBITDA) applied to forecasted sales are estimated based on the current profitability of the contracts in production corrected, if applicable, for adjustments, positive or negative, in future profitability already known at the time of preparation of the forecast; as well as expected future returns from each of the projects which production has not started.

The average <sup>(\*)</sup> of the margins projected by segment for the period of the projections has been as follows:

| Segments            | 2022   | 2021   |
|---------------------|--------|--------|
| North America       | 21.58% | 22.37% |
| Brazil              | 20.04% | 19.27% |
| Asia                | 17.44% | 16.81% |
| Mahindra CIE Europe | 15.57% | 12.70% |
| Rest of Europe      | 18.14% | 19.51% |

<sup>(\*)</sup> The average of the detailed margins is the result of dividing the sum of the gross operating profits (EBITDA) by the sum of the sales of the years that make up the projection period for each CGU and groups of CGU detailed by segment.

#### Calculation of residual value

The residual value is calculated by applying the "normalized annual cash flow", which is made up of the EBITDA of the last year of the budget, minus the maintenance investments necessary to keep the activity at each plant (in the case of the Group it amounts between 2% and 4% of revenue depending on the region and technology); discounted by the normalized payment of taxes in the face of a future recurrence according to the tax situation of each of the tax territories.

#### Annual growth rate

The growth rates (g) used for the period beyond the projections used in 2022 and 2021 in the CGUs and groups of CGUs, which are reported by segment, have been as follows.

| Segments            | 2022      | 2021      |
|---------------------|-----------|-----------|
| North America       | 2.5%      | 2.0%-2.3% |
| Brazil              | 5.0%      | 4.5%      |
| Asia                | 4.5%-7.5% | 4.4%-7.5% |
| Mahindra CIE Europe | 2.25%     | 1.5%      |
| Rest of Europe      | 2.25%     | 1.5%-3.9% |

The Group estimates the growth rate for each of the cash-generating units based on macroeconomic data related to inflation and growth in the economies of each of the countries where it operates, considering these as the main measurement factors for estimating the growth rate in current valuation models, due to the direct relationship between macroeconomic growth and the sale of vehicles.

#### Discount rate

The pre-tax discount rate was determined on the basis of the weighted average cost of capital (WACC) plus a premium to reflect the tax effect. The WACC was determined using the Capital Asset Pricing Model (CAPM), which is widely used for discount rate calculation purposes.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The methodology for calculating the discount rate used by the Group consists of adding to the risk-free rate of each market the specific risks of the assets assigned to each of the cash generating units.

The risk-free rate corresponds to the 10-year Treasury in the market in question. In the case of countries with economies or currencies with doubtful solvency levels, the Group carries out an estimate of its own risk applicable to each country.

The specific risk premium assigned to the Group's assets corresponds to the specific risks of the Automotive business itself, for which an estimated beta is used, based on the betas assigned to comparable companies or groups of companies.

The discount rates applied to cash flow projections in 2022 and 2021 were as follows:

| Segments            | 2022         | 2021         |
|---------------------|--------------|--------------|
| North America       | 6.93%-11.65% | 5.78%-10.09% |
| Brazil              | 14.58%       | 12.28%       |
| Asia                | 6.74%-10.38% | 6.65%-10.58% |
| Mahindra CIE Europe | 6.11%-7.47%  | 4.65%-5.63%  |
| Rest of Europe      | 6.03%-7.47%  | 4.62%-11.70% |

### c) Results of the impairment test

The value in use resulting from the impairment assessment are, to their lowest recoverable level, higher than the net book value of the total non-financial assets recognized by the Group, thus no impairment has been recorded in 2022 and 2021.

As of 31<sup>st</sup> December 2022, the Group has discontinued the German forging business, included in the Mahindra CIE Europe segment. This group of companies was incorporated into the Group within the framework of CIE Automotive's strategic alliance with Mahindra & Mahindra in 2013.

A significant amount of goodwill allocated to the historical segment "Mahindra CIE", which included the business in both India and Europe until 2018 (€524million as of 31<sup>st</sup> December 2018) was generated in the business combinations carried out in 2013 and 2014 within the framework of the strategic agreement with Mahindra & Mahindra for approximately €397 million. The recoverability of this goodwill was subject to the future evolution of the businesses that made up the Mahindra CIE subgroup when the creation of the same was completed.

In 2018, the Group proceeded to separate the historical segment "Mahindra CIE" into the segments "India" and "Mahindra CIE Europe", as it was understood that these were the last existing management decision levels and are both in differentiated segments and markets (Europe and India). In this division of segments, Mahindra CIE Europe was assigned a goodwill of €332.1 million, the recoverability of which was subject to future projections of all the operating plants that comprise the grouping at that date and currently comprise it, resulting from the capacity of the Group to assign new projects in this segment according to operating necessities.

After the German forging business was put up for sale, the Group has verified that there is no impairment in the goodwill assigned to Mahindra CIE Europe.

### d) Impairment test sensitivity

The Group has carried out the following sensitiveness simulations, without detecting evidences of impairment of goodwill:

- Penalty of the discount rate by 10%.
- Consideration of the perpetual cash flow equal to the last year of budgeted cash flow, that is, applying a growth rate (g) between 0% and 2%.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022**

---

Additionally, a joint penalty of assumptions has been carried out considering:

- Decrease of the forecasted EBITDA by 10 percentage points,
- Reduction of the growth rate (g) to 50% for each CGU (between 1.13% and 3.75%, depending on the geography).

The outcome of the sensitivity assessment has determined that there is sufficient margin in the recovery of the goodwill recognized by the Group. Additionally, it is also confirmed that in all the scenarios indicated there would be no impairment assignable to the Mahindra CIE Europe segment.

The growth and discount rates are assumptions based on external factors on which the Group does not have the capacity to act; in this sense, a more conservative assessment of such factors is carried out to verify that any significant variation would not result at risk the recovery of assets subject to evaluation. The assumptions used to estimate the discount rate and the perpetual growth rate have not historically shown significant deviations, which is why it is considered that 10% of the discount rate and the reductions made to the growth rate are sufficiently conservative considerations for the purpose of sufficiently stressing the impairment assessment performed.

The Group's track record in the Automotive business has shown that its annual budgets and strategic plans (from which projections for impairment analyses are taken) are modest and have been comfortably met, and even improved always. Therefore, the Group considers that a 10 percentage points cut in its gross operating margins is more than sufficient for sensitivity analyses.

With the external and internal information currently available, and with enough margin existing in the recovery of goodwill, it is not considered that possible future macroeconomic and political developments, in addition to those already contemplated in the projections, such as higher raw material and energy costs, could substantially modify the conclusion of the impairment assessment carried out. Additionally, the projections made by each business unit include the effects that the measures adopted by the Group on energy transition, the actions carried out related to eco-efficiency and the impacts derived from the policies will have on their generation of cash flows. of public administrations to combat climate change.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 9. Financial assets and derivatives

Movements in the Group's financial assets are as follows:

| 31 <sup>st</sup> December 2022                       |                |               |                                       |                            |                       |                 |                                                |               |                |
|------------------------------------------------------|----------------|---------------|---------------------------------------|----------------------------|-----------------------|-----------------|------------------------------------------------|---------------|----------------|
| 31.12.2021                                           | ADDITIONS      | DISPOSALS     | TRANSFERS AND<br>OTHER <sup>(*)</sup> | DISCONTINUED<br>ACTIVITIES | FAIR VALUE ADJUSTMENT |                 | RESULTS IN<br>JOINT VENTURES<br>AND ASSOCIATES | 31.12.2022    |                |
|                                                      |                |               |                                       |                            | PROFIT OR LOSS        | EQUITY          |                                                |               |                |
| <b>Valued at their amortized cost</b>                |                |               |                                       |                            |                       |                 |                                                |               |                |
| Deposits                                             | 73,674         | 16,497        | (1,738)                               | (2,805)                    | (218)                 | -               | -                                              | -             | 85,410         |
| Current credits                                      | 19,618         | 46            | (2,360)                               | 119                        | -                     | -               | -                                              | -             | 17,423         |
| Non-Current credits                                  | 15             | -             | -                                     | -                          | -                     | -               | -                                              | -             | 15             |
| Down-payments (Note 25.b)                            | 7,800          | -             | (1,300)                               | -                          | -                     | -               | -                                              | -             | 6,500          |
| <b>Total loans and receivables at amortized cost</b> | <b>101,107</b> | <b>16,543</b> | <b>(5,398)</b>                        | <b>(2,686)</b>             | <b>(218)</b>          | <b>-</b>        | <b>-</b>                                       | <b>-</b>      | <b>109,348</b> |
| <b>Valued at fair value</b>                          |                |               |                                       |                            |                       |                 |                                                |               |                |
| Non-Current credits (Note 22)                        | -              | -             | -                                     | 16,813                     | -                     | (2,225)         | -                                              | -             | 14,588         |
| Current credits (Note 22)                            | 20,465         | -             | (3,652)                               | (16,813)                   | -                     | -               | -                                              | -             | -              |
| Asset derivatives – Exchange rates                   | 22             | -             | -                                     | (22)                       | -                     | -               | -                                              | -             | -              |
| Liability derivatives – Exchange rates               | -              | -             | -                                     | 31                         | -                     | (171)           | -                                              | -             | (140)          |
| Asset derivatives – Equity Swap                      | 4,541          | -             | -                                     | (4,541)                    | -                     | -               | -                                              | -             | -              |
| Liability derivatives – Equity Swap                  | -              | -             | -                                     | 4,541                      | -                     | (10,413)        | -                                              | -             | (5,872)        |
| Liability derivatives – interest rate swaps          | -              | -             | -                                     | (31)                       | -                     | 31              | 1,347                                          | -             | 1,347          |
| <b>Non-Current credits and derivatives</b>           | <b>25,028</b>  | <b>-</b>      | <b>(3,652)</b>                        | <b>(22)</b>                | <b>-</b>              | <b>(12,778)</b> | <b>1,347</b>                                   | <b>-</b>      | <b>9,923</b>   |
| <b>Investment in joint ventures and associates</b>   | <b>48,399</b>  | <b>2,233</b>  | <b>-</b>                              | <b>(4,135)</b>             | <b>-</b>              | <b>-</b>        | <b>-</b>                                       | <b>11,432</b> | <b>57,929</b>  |
| <b>TOTAL</b>                                         | <b>174,534</b> | <b>18,776</b> | <b>(9,050)</b>                        | <b>(6,843)</b>             | <b>(218)</b>          | <b>(12,778)</b> | <b>1,347</b>                                   | <b>11,432</b> | <b>177,200</b> |

(\*) It mostly includes the effect of currency exchange change on the financial assets of foreign affiliates and transfers.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

| 31 <sup>st</sup> December 2021                       |                |               |                |                                       |                       |               |                                                |                |
|------------------------------------------------------|----------------|---------------|----------------|---------------------------------------|-----------------------|---------------|------------------------------------------------|----------------|
|                                                      | 31.12.2020     | ADDITIONS     | DISPOSALS      | TRANSFERS AND<br>OTHER <sup>(*)</sup> | FAIR VALUE ADJUSTMENT |               | RESULTS IN<br>JOINT VENTURES<br>AND ASSOCIATES | 31.12.2021     |
|                                                      |                |               |                |                                       | PROFIT OR LOSS        | EQUITY        |                                                |                |
| <b>Valued at their amortized cost</b>                |                |               |                |                                       |                       |               |                                                |                |
| Deposits                                             | 47,640         | 24,644        | (1,335)        | 2,725                                 | -                     | -             | -                                              | 73,674         |
| Current credits                                      | 25,474         | 790           | (6,837)        | 191                                   | -                     | -             | -                                              | 19,618         |
| Non-Current credits                                  | 15             | -             | -              | -                                     | -                     | -             | -                                              | 15             |
| Down-payments (Note 25.b)                            | 9,100          | -             | (1,300)        | -                                     | -                     | -             | -                                              | 7,800          |
| <b>Total loans and receivables at amortized cost</b> | <b>82,229</b>  | <b>25,434</b> | <b>(9,472)</b> | <b>2,916</b>                          | <b>-</b>              | <b>-</b>      | <b>-</b>                                       | <b>101,107</b> |
| <b>Valued at fair value</b>                          |                |               |                |                                       |                       |               |                                                |                |
| Non-Current credits (Note 22)                        | 22,947         | -             | -              | (22,947)                              | -                     | -             | -                                              | -              |
| Current credits (Note 22)                            | -              | -             | (2,784)        | 22,947                                | 302                   | -             | -                                              | 20,465         |
| Asset derivatives – Exchange rates                   | -              | -             | -              | -                                     | 22                    | -             | -                                              | 22             |
| Asset derivatives – Equity Swap                      | -              | -             | -              | -                                     | 4,541                 | -             | -                                              | 4,541          |
| Liability derivatives – Equity Swap                  | (6,059)        | -             | -              | -                                     | 6,059                 | -             | -                                              | -              |
| Liability derivatives – interest rate swaps          | (11,571)       | -             | 10,944         | -                                     | (10,944)              | 11,571        | -                                              | -              |
| <b>Non-Current credits and derivatives</b>           | <b>5,317</b>   | <b>-</b>      | <b>8,160</b>   | <b>-</b>                              | <b>(20)</b>           | <b>11,571</b> | <b>-</b>                                       | <b>25,028</b>  |
| <b>Investment in joint ventures and associates</b>   | <b>45,404</b>  | <b>1,730</b>  | <b>-</b>       | <b>(5,369)</b>                        | <b>-</b>              | <b>(337)</b>  | <b>6,971</b>                                   | <b>48,399</b>  |
| <b>TOTAL</b>                                         | <b>132,950</b> | <b>27,164</b> | <b>(1,312)</b> | <b>(2,453)</b>                        | <b>(20)</b>           | <b>11,234</b> | <b>6,971</b>                                   | <b>174,534</b> |

(\*) It basically includes the effect of exchange fluctuations in the currencies in which the financial assets of foreign subsidiaries are denominated and transfers. The "Investments in joint ventures and associates" included dividends distributed by Shanghai Golde Automotive Parts Co., Ltd. amounting to €9million, from which €5 million had not been paid as of 31 December 2021.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### a) Debt instruments

Term deposits and loans accrue interests at a market interest rate of the country where the financial asset is held.

The maximum exposure to credit risk at the date of presentation of consolidated information is the carrying amount of the assets.

Debt instruments valued at amortized cost do not differ from their fair value.

### b) Financial derivatives instruments

#### • Swaps (interest rate and other)

During the year 2022, the Group has contracted new interest rate swaps whose fair value at 31<sup>st</sup> December 2022 amount to €1,347 thousand. The amounts of the notional principal of the interest rate swap contracts (from variable to fixed) outstanding as of 31<sup>st</sup> December 2022 amount to €50,000 thousand, which are classified as hedging instruments. During the year 2021, the Group liquidated its interest swap contracts, assuming a reclassification between the income statement for financial year and another comprehensive income of €10,944 thousand.

#### • Equity swap

On 6<sup>th</sup> August 2018 the Parent company arranged a new derivative associated with the listed share price of CIE Automotive, S.A., which was novated on 28<sup>th</sup> December 2022. The underlying asset of the operation amounts to 2 million shares with an initial value of €25.09 per share. This underlying's valuation amounts to €5,872 thousand negative at 31<sup>st</sup> December 2022 (€4,541 thousand positive at 31<sup>st</sup> December 2021), and is due in 2028.

### c) Investments in joint ventures and associates

The companies of the Group, both associates and joint ventures, consolidated under the equity method, are as follows:

|                                                | % effective share |            |
|------------------------------------------------|-------------------|------------|
|                                                | 31.12.2022        | 31.12.2021 |
| Belgium Forge, N.V. <sup>(1)</sup>             | -                 | 100%       |
| Galfor Eólica, S.L.                            | 16%               | 15%        |
| Gescrap - Autometal Comercio de Sucatas, Ltda. | 30%               | 30%        |
| Gescrap Autometal de México, S.A. de C.V.      | 30%               | 30%        |
| Ges Trading Nar, S.A. de C.V. <sup>(2)</sup>   | 30%               | 30%        |
| Gescrap India Pvt, Ltd.                        | 20%               | 18%        |
| Clean Max Deneb Power, LLP                     | 17%               | 16%        |
| Sunbarn Renewables Pvt. ,Ltd.                  | 17%               | 17%        |
| ReNew Surya Alok Pvt. ,Ltd. <sup>(3)</sup>     | 21%               | -          |
| Strongsun Solar Pvt. Ltd. <sup>(3)</sup>       | 18%               | -          |
| Shanghai Golde Automotive Parts Co., Ltd.      | 50%               | 50%        |
| Golde Automotive Parts (Ningde) Co., Ltd.      | 50%               | 50%        |
| Basquevolt, S.A. <sup>(4)</sup>                | 17%               | -          |

(1) Liquidated on 13<sup>th</sup> October 2022.

(2) Direct subsidiary of Gescrap Autometal de México, S.A. de C.V. in 2021. Formerly named Gescrap Autometal México Servicios, S.A. de C.V.

(3) Associate company of Mahindra CIE Automotive, Ltd. consolidated by the equity method starting 2022.

(4) Company incorporated in June 2022, and consolidated by the equity method after determining that significant influence exists.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

|                                                | 2022            |                        |                    | 2021            |                        |                    |
|------------------------------------------------|-----------------|------------------------|--------------------|-----------------|------------------------|--------------------|
|                                                | Investment cost | Share in profit/(loss) | Dividends received | Investment cost | Share in profit/(loss) | Dividends received |
| Shanghai Golde Automotive Parts Co., Ltd. (*)  | 39,161          | 4,312                  | 3,138              | 35,808          | 3,284                  | 3,896              |
| Gescrap de México associates                   | 8,185           | 3,764                  | 1,650              | 5,697           | 1,364                  | 466                |
| Gescrap – Autometal Comercio de Sucatas, Ltda. | 5,546           | 3,089                  | 2,130              | 4,060           | 2,239                  | 518                |
| Other                                          | 5,037           | 267                    | -                  | 2,834           | 84                     | -                  |
| <b>Total</b>                                   | <b>57,929</b>   | <b>11,432</b>          | <b>6,918</b>       | <b>48,399</b>   | <b>6,971</b>           | <b>4,880</b>       |

(\*) As of 31<sup>st</sup> December 2022, a dividend amounting to approximately €2 million is pending collection.

There are no significant restrictions on the ability to access to those assets. There are no contingent liabilities related to these investments in associates. None of these companies is listed on a stock exchange.

The complete detail, at 100%, of the assets and liabilities of the joint business Shanghai Golde Automotive Parts, Co. Ltd. as of 31<sup>st</sup> December 2022 and 2021, as well as the results generated after joining the Group, is as follows:

| Thousand euro       | 31.12.2022    | 31.12.2021    | Thousand euros           | 31.12.2022    | 31.12.2021    |
|---------------------|---------------|---------------|--------------------------|---------------|---------------|
| Non-current assets  | 20,080        | 21,268        | Equity                   | 16,673        | 8,568         |
| Current assets      | 74,325        | 69,360        | Non-current liabilities  | 6,207         | 6,310         |
|                     |               |               | Current liabilities      | 71,525        | 75,750        |
| <b>TOTAL ASSETS</b> | <b>94,405</b> | <b>90,628</b> | <b>TOTAL LIABILITIES</b> | <b>94,405</b> | <b>90,628</b> |

| INCOME STATEMENT (Thousand euro)         | 2022         | 2021         |
|------------------------------------------|--------------|--------------|
| Revenue                                  | 134,627      | 117,730      |
| Operating profit                         | 10,463       | 7,338        |
| Profit before tax                        | 10,658       | 7,343        |
| <b>Profit from continuing operations</b> | <b>8,623</b> | <b>6,567</b> |
| <b>Other comprehensive income</b>        | <b>8,623</b> | <b>6,567</b> |

### 10. Trade and other receivables

| Thousand euro                                 | 31.12.2022     | 31.12.2021     |
|-----------------------------------------------|----------------|----------------|
| Trade receivables                             | 299,724        | 262,886        |
| Other receivables                             | 24,963         | 37,192         |
| Less: Provision for impairment of receivables | (15,230)       | (15,923)       |
| <b>Total</b>                                  | <b>309,457</b> | <b>284,155</b> |

The fair values of trade and other receivables arrived at by discounting the related cash flows at market rates do not differ from their carrying amounts.

The amounts covered by factoring or account receivable sales agreements at year-end have been derecognised from Customers because they meet the conditions to be considered non-recourse factoring and the risks of ownership have been transferred to the financial institutions and the Group has no continuing involvement. At 31<sup>st</sup> December 2022 this balance amounts to €324.5 million (2021: €296.8 million).

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers (Note 3.3.12).

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

Given the characteristics of the Group's customers, balances receivable due in less than 60 days have historically entailed no expected loss as they fall within the normal collection period in the sector. The Group considers that the credit quality of these outstanding balances, which it deems neither impaired nor non-performing, is high. They mostly relate to payments associated with business disagreements that are set to be resolved in the short term.

The breakdown by ageing of accounts receivable due more than 60 days is as follows:

| Thousand euro           | 2022          | 2021          |
|-------------------------|---------------|---------------|
| Between 2 and 4 months  | 3,986         | 2,597         |
| Between 4 and 12 months | 3,425         | 2,932         |
| More than 12 months     | 4,280         | 4,695         |
| <b>Total</b>            | <b>11,691</b> | <b>10,224</b> |

Since the entry into force of IFRS 9 for Financial Instruments, the Group has estimated the expected loss in its trading accounts receivable (Note 3.3.9).

The credit quality of trade receivables not due or impaired is considered high and free of credit risk.

Movements on the Group provision for impairment of trade receivable in 2022 and 2021 are as follows:

| Thousand euro           | Note | 2022          | 2021          |
|-------------------------|------|---------------|---------------|
| <b>Opening balance</b>  |      | <b>15,923</b> | <b>13,024</b> |
| Additions               | 21   | 652           | 3,622         |
| Recoveries              | 21   | (759)         | (566)         |
| Receivables written-off |      | (207)         | (157)         |
| Discontinued activities |      | (379)         | -             |
| <b>Closing balance</b>  |      | <b>15,230</b> | <b>15,923</b> |

(\*) Includes €114 thousand of additions and €316 thousand of recoveries classified as discontinued operation in the consolidated income statement as of 31<sup>st</sup> December 2022 (€581 thousand and €212 thousand as of 31<sup>st</sup> December 2021, respectively).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| Thousand euro  | 31.12.2022     | 31.12.2021     |
|----------------|----------------|----------------|
| Euro           | 73,373         | 64,831         |
| US dollar      | 57,534         | 34,750         |
| Brazilian real | 25,436         | 22,422         |
| Indian rupee   | 68,026         | 54,163         |
| Chinese yuan   | 65,925         | 79,431         |
| Other          | 9,430          | 7,289          |
| <b>TOTAL</b>   | <b>299,724</b> | <b>262,886</b> |

## 11. Inventories

The disclosure of the inventories heading at 31<sup>st</sup> December 2022 and 2021 is as follows:

| Thousand euro                            | 31.12.2022     | 31.12.2021     |
|------------------------------------------|----------------|----------------|
| Goods held for resale                    | 2,700          | 5,381          |
| Raw materials and supplies               | 253,354        | 239,188        |
| Work in progress and semi-finished goods | 102,674        | 96,674         |
| Finished goods                           | 124,111        | 129,300        |
| Prepayments to suppliers                 | 12,010         | 12,325         |
| <b>TOTAL</b>                             | <b>494,849</b> | <b>482,868</b> |



## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The Group's policy is to formalize insurance policies to cover possible risks to which its inventories are exposed. In the opinion of the Directors of the Parent company, the coverage of the policies contracted as of 31<sup>st</sup> December 2022 is adequate. The cost of inventories recognised as an expense and included in the cost of goods sold breaks down as follows:

### 2022

| Thousand euro                                          | Goods held for resale, raw materials and supplies | Work in progress and finished goods | Total            |
|--------------------------------------------------------|---------------------------------------------------|-------------------------------------|------------------|
| Opening balance 1 <sup>st</sup> January 2022           | 244,569                                           | 225,974                             | 470,543          |
| Purchases / Reserve movement – continuing activities   | 2,389,555                                         | (4,114)                             | 2,385,441        |
| Purchases / Reserve movement – discontinued activities | 131,052                                           | (2)                                 | 131,050          |
| Other movements <sup>(*)</sup>                         | 6,027                                             | 559                                 | 6,586            |
| Discontinued operations <sup>(**)</sup>                | (144,757)                                         | (22,469)                            | (167,226)        |
| Closing balance 31 <sup>st</sup> December 2022         | (256,054)                                         | (226,785)                           | (482,839)        |
| <b>COST OF SALES</b>                                   | <b>2,370,392</b>                                  | <b>(26,837)</b>                     | <b>2,343,555</b> |

### 2021

| Thousand euro                                          | Goods held for resale, raw materials and supplies | Work in progress and finished goods | Total            |
|--------------------------------------------------------|---------------------------------------------------|-------------------------------------|------------------|
| Opening balance 1 <sup>st</sup> January 2021           | 172,485                                           | 180,997                             | 353,482          |
| Purchases / Reserve movement – continuing activities   | 1,966,935                                         | 6,299                               | 1,973,234        |
| Purchases / Reserve movement – discontinued activities | 118,616                                           | (73)                                | 118,543          |
| Other movements <sup>(*)</sup>                         | 8,329                                             | 6,674                               | 15,003           |
| Closing balance 31 <sup>st</sup> December 2021         | (244,569)                                         | (225,974)                           | (470,543)        |
| <b>COST OF SALES</b>                                   | <b>2,021,796</b>                                  | <b>(32,077)</b>                     | <b>1,989,719</b> |
| Continuing operations                                  | 1,909,050                                         | (29,784)                            | 1,879,266        |
| Discontinued operations                                | 112,746                                           | (2,293)                             | 110,453          |

<sup>(\*)</sup> Corresponds mainly to the effect of exchange rate fluctuations on the companies located abroad.

<sup>(\*\*)</sup> Includes the amount classified as assets held for sale when discontinuing operations (Note 13).

The carrying amount of work in progress and finished goods includes the following provisions for obsolescence, the movement in which is presented below:

| Thousand euro                                     | Note | 2022          | 2021          |
|---------------------------------------------------|------|---------------|---------------|
| <b>Opening balance</b>                            |      | <b>40,544</b> | <b>28,045</b> |
| Additions <sup>(*)</sup>                          | 21   | 9,688         | 20,199        |
| Cancellation of balances/Transfers <sup>(*)</sup> |      | (3,215)       | (7,700)       |
| Discontinued activities                           |      | (13,031)      | -             |
| <b>Closing balance</b>                            |      | <b>33,986</b> | <b>40,544</b> |

<sup>(\*)</sup> Includes €275 thousand of additions and €0 thousand of cancellation and transfers classified as discontinued operation in the consolidated income statement as of 31<sup>st</sup> December 2022 (€642 thousand and €0 thousand as of 31<sup>st</sup> December 2021, respectively).

## 12. Cash and cash equivalents

Cash and other cash equivalents at 31<sup>st</sup> December 2022 and 2021 break down as follows:

| Thousand euro         | 31.12.2022     | 31.12.2021     |
|-----------------------|----------------|----------------|
| Cash and banks        | 473,390        | 463,383        |
| Current bank deposits | 258,663        | 195,405        |
| <b>TOTAL</b>          | <b>732,053</b> | <b>658,788</b> |

Current bank deposits relate to investments of cash surpluses maturing in less than three months or available immediately. These deposits earn interest at a market rate depending on the currency.

The Group does not have significant bank accounts of cash and equivalents restricted as of 31<sup>st</sup> December 2022 and 2021.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The carrying amount of cash at Group companies is denominated in the following currencies:

| Thousand euro      | 31.12.2022     | 31.12.2021     |
|--------------------|----------------|----------------|
| Euro               | 73,081         | 75,474         |
| US dollar          | 142,328        | 134,107        |
| Chinese yuan       | 352,079        | 329,803        |
| Brazilian real     | 132,336        | 77,488         |
| Indian rupee       | 8,581          | 10,802         |
| Mexican peso       | 4,567          | 5,509          |
| South African rand | 12,392         | 16,217         |
| Other              | 6,689          | 9,388          |
| <b>TOTAL</b>       | <b>732,053</b> | <b>658,788</b> |

### 13. Disposal groups classified as held-for-sale and discontinued operations

#### a) German Forging business

On 14<sup>th</sup> December 2022, the Board of Directors of Mahindra CIE Automotive, Ltd. made the decision to put the German forging business up for sale, corresponding to the company CIE Forging Germany GmbH (previously called Mahindra Forgings Europe, AG) and its subsidiaries after receiving offers from potential buyers of this business. As of 31<sup>st</sup> December 2022, the Group is still negotiating the sale of this subgroup, which is considered likely to be executed in the short-term.

Following this decision, the Group has reclassified the assets and liabilities associated with said business as a group of assets and liabilities held for sale, reclassifying the income statement of all business companies to discontinued operations.

At the time of its reclassification, the Group has proceeded to adjust the fair value of the consolidated net assets of CIE Forging Germany, GmbH. Following accounting standards, the Group has recognized a valuation adjustment of €2.2 million, resulting from valuating the business at its sale price value, included the estimated cost of sales.

The detailed summary of assets and liabilities classified as held-for-sale relating to this business as of 31<sup>st</sup> December 2022 is as follows:

| ASSETS (Thousand euro)        | 31.12.2022     | LIABILITIES (Thousand euro)    | 31.12.2022    |
|-------------------------------|----------------|--------------------------------|---------------|
| <b>Non-current assets</b>     | <b>52,485</b>  | <b>Deferred income</b>         | <b>-</b>      |
| Property, plant and equipment | 47,201         | <b>Non-current liabilities</b> | <b>37,483</b> |
| Other intangible assets       | 70             | Non-current provisions         | 16,126        |
| Non-current financial assets  | 44             | Non-current borrowings         | 10,000        |
| Deferred tax assets           | 5,170          | Deferred tax liabilities       | -             |
| Other non-current assets      | -              | Other non-current liabilities  | 11,357        |
| <b>Current assets</b>         | <b>57,954</b>  |                                |               |
| Inventory                     | 35,784         | <b>Current liabilities</b>     | <b>43,391</b> |
| Trade and other receivables   | 10,529         | Current borrowings             | 322           |
| Other current assets          | 1,111          | Trade and other payables       | 26,224        |
| Current tax assets            | 1,050          | Current tax liabilities        | 1,492         |
| Current financial assets      | 174            | Current provisions             | 4,346         |
| Cash and cash equivalents     | 9,306          | Other current liabilities      | 11,007        |
| <b>TOTAL ASSETS</b>           | <b>110,439</b> | <b>TOTAL LIABILITIES</b>       | <b>80,874</b> |

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### b) Business of biofuels

In September 2018, the Board of Directors of CIE Automotive, S.A. after receiving various offers to buy the companies of biofuels made the decision to discontinue this entire business. On 28<sup>th</sup> March 2019, it was formalized the sale of the company Bionor Berantevilla, S.L.U. and the assets of Biosur Transformación, S.L.U. After that sale, the consolidated net assets allocated to the biofuel business are not significant. Additionally, on the 1<sup>st</sup> December 2021, the companies Biodiesel del Mediterráneo, S.L.U. and Reciclados Ecológicos de Residuos, S.L.U. were liquidated (Note 1).

As of 31<sup>st</sup> December 2022, and 2021, the Group keeps the assets and liabilities associated with this business classified as a group of assets and liabilities held for sale, the value of which has not changed significantly.

### c) British Forging business – Stokes

In September 2018, the Board of Directors of Mahindra CIE Automotive, Ltd. made the decision to sell its British forging business, corresponding to the company Stokes Group Limited. After this decision, the Group carried out the discontinuation of the assets and liabilities of said company, classifying them as a group of assets and liabilities available for sale, reclassifying the profit and loss account of said company within discontinued operations.

At 31<sup>st</sup> December 2022, the company is in the final phase of its liquidation process after disposing most of its assets which were classified as held for sale. As of 31<sup>st</sup> December 2021, for the specific situation of this business held for sale, the Group assigned to the net assets their recoverable value, which had not suffered significant updates.

The following is the discontinued income statement for the years ended on 31<sup>st</sup> December 2022 and 2021:

| Thousand euro                                                            | 2022             | 2021             |
|--------------------------------------------------------------------------|------------------|------------------|
| <b>OPERATING REVENUE</b>                                                 | <b>248,045</b>   | <b>193,787</b>   |
| Revenue                                                                  | 236,951          | 180,770          |
| Other operating income                                                   | 13,499           | 10,724           |
| Change in inventories of finished goods and work in progress             | (2,405)          | 2,293            |
| <b>OPERATING EXPENSES</b>                                                | <b>(234,419)</b> | <b>(190,317)</b> |
| Consumption of raw materials and secondary materials                     | (130,662)        | (113,943)        |
| Employee benefit expenses                                                | (50,983)         | (49,254)         |
| Depreciation, amortisation and impairment                                | (9,297)          | (8,095)          |
| Other operating income/(expenses)                                        | (43,477)         | (19,025)         |
| <b>OPERATING PROFIT</b>                                                  | <b>13,626</b>    | <b>3,470</b>     |
| Financial costs                                                          | (2,777)          | (2,154)          |
| Net exchange differences                                                 | 48               | (9)              |
| <b>PROFIT BEFORE TAX</b>                                                 | <b>10,897</b>    | <b>1,307</b>     |
| Corporate income tax (Note 24)                                           | (1,343)          | (277)            |
| <b>PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX</b> | <b>9,554</b>     | <b>1,030</b>     |

As of 31<sup>st</sup> December 2022 and 2021, the disclosure of the net amount of turnover from discontinued activities per geographic area is as follows:

| Thousand euro                               | 2022           | 2021           |
|---------------------------------------------|----------------|----------------|
| Rest of Europe                              | 230,081        | 175,821        |
| Spain                                       | 6,870          | 4,949          |
| <b>IMPORTE NETO DE LA CIFRA DE NEGOCIOS</b> | <b>236,951</b> | <b>180,770</b> |

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The information of the assets and liabilities of the disposable groups classified as held for sale related to discontinued operations described above is summarized in the following table on 31<sup>st</sup> December 2022 and 2021:

| <b>ASSETS (Thousand euro)</b> | <b>31.12.2022</b> | <b>31.12.2021</b> | <b>LIABILITIES (Thousand euro)</b> | <b>31.12.2022</b> | <b>31.12.2021</b> |
|-------------------------------|-------------------|-------------------|------------------------------------|-------------------|-------------------|
| <b>Non-current assets</b>     | <b>54,665</b>     | <b>2,093</b>      | <b>Deferred income</b>             | <b>1,486</b>      | <b>1,442</b>      |
| Property, plant and equipment | 48,619            | 1,332             | <b>Non-current liabilities</b>     | <b>37,835</b>     | <b>352</b>        |
| Other intangible assets       | 73                | 5                 | Non-current provisions             | 16,126            | -                 |
| Non-current financial assets  | 68                | 33                | Non-current borrowings             | 10,000            | -                 |
| Deferred tax assets           | 5,553             | 383               | Deferred tax liabilities           | 352               | 352               |
| Other non-current assets      | 352               | 340               | Non-current other liabilities      | 11,357            | -                 |
| <b>Current assets</b>         | <b>59,536</b>     | <b>1,568</b>      | <b>Current liabilities</b>         | <b>44,464</b>     | <b>1,098</b>      |
| Inventory                     | 35,948            | 222               | Current borrowings                 | 322               | -                 |
| Trade and other receivables   | 10,605            | 65                | Trade and other payables           | 26,598            | 386               |
| Other current assets          | 1,131             | -                 | Current tax liabilities            | 1,605             | 66                |
| Current tax assets            | 1,478             | 486               | Current provisions                 | 4,892             | 597               |
| Current financial assets      | 174               | -                 | Other current liabilities          | 11,047            | 49                |
| Cash and cash equivalents     | 10,200            | 795               |                                    |                   |                   |
| <b>TOTAL ASSETS</b>           | <b>114,201</b>    | <b>3,661</b>      | <b>TOTAL LIABILITIES</b>           | <b>83,785</b>     | <b>2,892</b>      |

The consolidated cash flow statement for discontinued activities as of 31<sup>st</sup> December 2022 and 2021 is as follows:

| <b>Thousand euro</b>                                                           | <b>2022</b>    | <b>2021</b>    |
|--------------------------------------------------------------------------------|----------------|----------------|
| <b>PROFIT BEFORE TAXES</b>                                                     | <b>10,897</b>  | <b>1,307</b>   |
| <b>Adjustments to year's profit</b>                                            | <b>12,026</b>  | <b>9,298</b>   |
| Depreciation, amortisation and impairment                                      | 9,297          | 8,095          |
| Finance profit/(loss) and exchange rate differences                            | 2,729          | 2,163          |
| Other adjustments to year's profit                                             | -              | (960)          |
| <b>Changes in working capital</b>                                              | <b>(5,120)</b> | <b>(532)</b>   |
| Net variation of provisions                                                    | (579)          | (485)          |
| Other changes in net working capital                                           | (4,541)        | (47)           |
| <b>Other cash flows from operating activities</b>                              | <b>(2,302)</b> | <b>(1,349)</b> |
| Interests paid and collected                                                   | (2,355)        | (1,349)        |
| Corporate tax collection                                                       | 53             | -              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    | <b>15,501</b>  | <b>8,724</b>   |
| Acquisition of property, plant and equipment                                   | (4,248)        | (3,966)        |
| Financial assets movement                                                      | (165)          | -              |
| Proceeds from the sale of property, plant and equipment, and intangible assets | -              | 1,202          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    | <b>(4,413)</b> | <b>(2,764)</b> |
| Income (net of reimbursements) from high-rotation borrowings                   | (5,752)        | (3,968)        |
| Lease payments                                                                 | (1,763)        | (1,916)        |
| Dividends paid to minority shareholders                                        | (83)           | (55)           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    | <b>(7,598)</b> | <b>(5,939)</b> |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>                    | <b>3,490</b>   | <b>21</b>      |
| Cash and equivalents at beginning of the period                                | 6,710          | 6,690          |
| <b>Cash and equivalents at end of the period</b>                               | <b>10,200</b>  | <b>6,710</b>   |

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 14. Share capital and share premium

The main components of Shareholders' Equity are detailed below:

#### 14.1 Capital, share premium and treasury shares

The variations during the years 2022 and 2021 of the number of shares, the share capital, the share premium and the treasury shares have been as follows:

| 31 <sup>st</sup> December 2022          |                           |                  |                    |                  |                |
|-----------------------------------------|---------------------------|------------------|--------------------|------------------|----------------|
| Movements in thousand euro              | No. shares<br>(thousands) | Share<br>capital | Treasury<br>shares | Share<br>premium | Total          |
| At 31 <sup>st</sup> December 2021       | 122,550                   | 30,637           | (401)              | 152,171          | 182,407        |
| Treasury shares (acquisition)           | -                         | -                | (71,391)           | -                | (71,391)       |
| Sale of own shares                      | -                         | -                | 11,466             | -                | 11,466         |
| <b>At 31<sup>st</sup> December 2022</b> | <b>122,550</b>            | <b>30,637</b>    | <b>(60,326)</b>    | <b>152,171</b>   | <b>122,482</b> |

| 31 <sup>st</sup> December 2021          |                           |                  |                    |                  |                |
|-----------------------------------------|---------------------------|------------------|--------------------|------------------|----------------|
| Movements in thousand euro              | No. shares<br>(thousands) | Share<br>capital | Treasury<br>shares | Share<br>premium | Total          |
| At 31 <sup>st</sup> December 2020       | 122,550                   | 30,637           | -                  | 152,171          | 182,808        |
| Treasury shares (acquisition)           | -                         | -                | (50,563)           | -                | (50,563)       |
| Sale of own shares                      | -                         | -                | 50,162             | -                | 50,162         |
| <b>At 31<sup>st</sup> December 2021</b> | <b>122,550</b>            | <b>30,637</b>    | <b>(401)</b>       | <b>152,171</b>   | <b>182,407</b> |

##### a) Share capital

The share capital of CIE Automotive, S.A. at 31<sup>st</sup> December 2022 and 2021 was represented by 122,550,000 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Madrid stock market.

The most relevant participations in the share capital of CIE Automotive S.A., that is, the companies that, directly or indirectly, participate in the share capital in a percentage equal to or greater than 10%, are the following:

| % interest                                                | 31.12.2022 | 31.12.2021 |
|-----------------------------------------------------------|------------|------------|
| Acek Desarrollo y Gestión Industrial, S.L. <sup>(*)</sup> | 15.69%     | 15.69%     |
| Corporación Financiera Alba, S.A.                         | 13.35%     | 12.73%     |
| Elidoza Promoción de Empresas, S.L.                       | 10.53%     | 10.89%     |

(\*) 5.790% direct and indirectly, through Risteel Corporation, B.V, as of 31<sup>st</sup> December 2022 and 2021.

The stock price of the Parent company CIE Automotive, S.A. listed in the Madrid Stock Exchange was €24.06 at 30<sup>th</sup> December 2022 (last listed session of the period).

##### b) Share premium

This reserve is freely available for distribution.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### c) Treasury shares

The movement of treasury shares during the periods ended 31<sup>st</sup> December 2022 and 31<sup>st</sup> December 2021 is broken down in the following table:

|                        | 31 <sup>st</sup> December 2022 |                        | 31 <sup>st</sup> December 2021 |                        |
|------------------------|--------------------------------|------------------------|--------------------------------|------------------------|
|                        | Number of shares               | Amount (Thousand euro) | Number of shares               | Amount (Thousand euro) |
| <b>Opening balance</b> | <b>15,244</b>                  | <b>401</b>             | <b>-</b>                       | <b>-</b>               |
| Acquisitions           | 3,346,121                      | 71,391                 | 2,067,455                      | 50,563                 |
| Sales for the year     | (442,238)                      | (11,466)               | (2,052,211)                    | (50,162)               |
| <b>Ending balance</b>  | <b>2,919,127</b>               | <b>60,326</b>          | <b>15,244</b>                  | <b>401</b>             |

During 2022, the Company has acquired a final amount of 59,925 treasury shares directly, with an ending balance of 2,919,127 shares (reaching 2.38% of the total voting rights issued by the Company), which are added to the indirect participation resulting from the equity swap agreement signed in the year 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights). During 2021, the Company acquired a net amount of 15,244 own treasury directly (0.01% of the total voting rights issued by the Company), which are in addition to the indirect participation resulting from the equity swap agreement signed in 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights).

Under this authorization framework, on 16<sup>th</sup> March 2022, the Company's Board of Directors resolved to terminate the liquidity agreement entered into in 2021 and to approve a program to repurchase the Company's own shares in order to reduce up to a maximum of 5% of the Parent Company's share capital through the redemption of own shares, reserving the right to terminate this program prior to the expiration date in accordance with the agreed terms.

Also, the mandate conferred by the Shareholders' Meeting held on 28<sup>th</sup> April 2022, by virtue of which the Board of Directors of the Company is empowered to acquire, at any time and as many times as it deems appropriate, shares of CIE Automotive, S.A., by any means permitted by law, including with a charge to profit for the year and/or unrestricted reserves, and to subsequently dispose of or redeem such shares, all accordance with article 146 and concordant of the Capital Companies Law, until 28<sup>th</sup> April 2027.

### d) Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Parent company's shareholders by the weighted average number of ordinary shares outstanding in the year, excluding treasury shares acquired by the Parent company (Note 14.1.c).

|                                                                                                                    | 2022        | 2021        |
|--------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Profit attributable to the Parent company's shareholders (thousand euro)                                           | 300,120     | 267,544     |
| Profit / (loss) from discontinued operations attributable to the Parent company's shareholders (thousand euro) (*) | 6,936       | 1,042       |
| Weighted average number of ordinary shares outstanding (thousand)                                                  | 120,469     | 122,460     |
| <b>BASIC EARNINGS</b>                                                                                              | <b>2.49</b> | <b>2.18</b> |
| Basic earnings per share from continuing operations (euro per share)                                               | 2.43        | 2.17        |
| Basic earnings per share from discontinued operations (euro per share)                                             | 0.06        | 0.01        |

(\*) The profit/(loss) from discontinued operations of the Group (2022: €9,554 thousand, 2021: €1,030 thousand) which corresponds to the shareholders of the Parent company is €6,936 thousand in 2022 and €1,042 thousand in 2021 (Note 13).

The basic earnings per share matches with the diluted ones, since there are no instruments that could be converted into ordinary shares during the years 2022 and 2021.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 14.2 Retained earnings

Movements in retained earnings are as follows:

| Thousand euro                                       | Legal reserve | Reserve in consolidated companies and effect of first time conversion (Note 14.2.d) | Profit and loss | SUBTOTAL         | Translation differences (Note 14.3) | TOTAL            |
|-----------------------------------------------------|---------------|-------------------------------------------------------------------------------------|-----------------|------------------|-------------------------------------|------------------|
| <b>At 1<sup>st</sup> January 2021</b>               | <b>6,450</b>  | <b>683,178</b>                                                                      | <b>185,225</b>  | <b>874,853</b>   | <b>(380,220)</b>                    | <b>494,633</b>   |
| Distribution of 2020 profit                         | -             | 123,963                                                                             | (185,225)       | <b>(61,262)</b>  | -                                   | <b>(61,262)</b>  |
| Income/(expense) recognised directly in equity, net | -             | 7,444                                                                               | 267,544         | <b>274,988</b>   | 143,880                             | <b>418,868</b>   |
| Business combinations (Note 1)                      | -             | 314                                                                                 | -               | <b>314</b>       | (318)                               | <b>(4)</b>       |
| Decrease of share capital (Note 14.1)               | -             | 479                                                                                 | -               | <b>479</b>       | -                                   | <b>479</b>       |
| Other changes                                       | -             | (3,755)                                                                             | -               | <b>(3,755)</b>   | -                                   | <b>(3,755)</b>   |
| <b>At 31<sup>st</sup> December 2021</b>             | <b>6,450</b>  | <b>811,623</b>                                                                      | <b>267,544</b>  | <b>1,085,617</b> | <b>(236,658)</b>                    | <b>848,959</b>   |
| Distribution of 2021 profit                         | -             | 180,337                                                                             | (267,544)       | <b>(87,207)</b>  | -                                   | <b>(87,207)</b>  |
| Income/(expense) recognised directly in equity, net | -             | 14,862                                                                              | 300,120         | <b>314,982</b>   | 16,577                              | <b>331,559</b>   |
| Business combinations (Note 1)                      | -             | (10,798)                                                                            | -               | <b>(10,798)</b>  | (1,306)                             | <b>(12,104)</b>  |
| Sale of own shares (Note 14.1)                      | -             | (550)                                                                               | -               | <b>(550)</b>     | -                                   | <b>(550)</b>     |
| Other changes                                       | -             | (11,159)                                                                            | -               | <b>(11,159)</b>  | 409                                 | <b>(10,750)</b>  |
| <b>At 31<sup>st</sup> December 2022</b>             | <b>6,450</b>  | <b>984,315</b>                                                                      | <b>300,120</b>  | <b>1,290,885</b> | <b>(220,978)</b>                    | <b>1,069,907</b> |

#### a) Legal reserve

In accordance with Article 274 of the Spanish Companies Act, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. Both in the fiscal years ended 31<sup>st</sup> December 2022 and 2021, the legal reserve is fully allocated.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

#### b) Dividends and shareholder remuneration

On 15<sup>th</sup> December, 2022, the Board of Directors of CIE Automotive, S.A. approved the payment of an interim dividend charged to the profit of the year 2022 for an amount of €0.41 per share, which has meant a total of €49,049 thousand. Payment has been effective on 5<sup>th</sup> January 2023.

The amount to distribute did not exceed the profit of the Parent company obtained since the last financial year, deducting the tax estimation, according to Article 277 of Spain Corporate Enterprise Act.

The provisional accounting statement of the Parent company at 30<sup>th</sup> November 2022, which has been formulated according to legal requirements and shows the existence of enough cash-flow to distribute the dividend mentioned above, is as follows (thousand euro):

| Provisional cash-flow statement       | Thousand euros  |
|---------------------------------------|-----------------|
| <b>Profit forecast:</b>               |                 |
| - Available net profit for 2022       | 114,572         |
| <b>To deduct:</b>                     |                 |
| - Legal reserve                       | -               |
| <b>Maximum amount to distribute</b>   | <b>114,572</b>  |
| <b>Amount distribution proposal</b>   | <b>100,491</b>  |
| <b>Treasury forecast for one year</b> | <b>214,699</b>  |
| <b>Interim dividend</b>               | <b>(50,246)</b> |

On 28<sup>th</sup> April 2022, the General Meeting of Shareholders of CIE Automotive, S.A. has agreed to distribute the individual result for the 2021 year, approving the distribution of a complementary dividend of €0.36 gross per share entitled to a dividend, which has meant a total of €43,094 thousand. The disbursement has been made effective on 6<sup>th</sup> July 2022.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

On 15<sup>th</sup> December 2021, the Board of Directors of CIE Automotive, S.A. agreed to distribute the result for the 2021 year of the Parent Company, approving the distribution of an interim dividend of €0.36 gross per share entitled to a dividend, which meant a total of €44,113 thousand. The disbursement has been made effective on 5<sup>th</sup> January 2022.

On 5<sup>th</sup> May 2021, the General Meeting of Shareholders of CIE Automotive, S.A. agreed the distribution of the individual result for the 2020 year, approving the distribution of a complementary dividend of €0.25 gross per share entitled to a dividend, which amounted to a total of €30,624 thousand. The disbursement was effective on 6<sup>th</sup> July 2021.

On 16<sup>th</sup> December 2020, Board of Directors of CIE Automotive, S.A. approved the payment of an interim dividend of 2020 profit of €0.25 gross per share, implying a total pay-out of €30,638 thousand. The disbursement was effective on 7<sup>th</sup> January 2021.

### c) Proposal for the distribution of results

The proposal of the Board of Directors on the distribution of the 2022 result of the parent company, determined in accordance with accounting principles generally accepted in Spain (legislation applicable to the Parent company), that will be presented to the shareholders at the General Meeting, alongside the shareholder-approved distribution for 2021, is as follows:

| Thousand euro under Spanish GAAP  | 2022           | 2021          |
|-----------------------------------|----------------|---------------|
| <b>Available for distribution</b> |                |               |
| Profit/(loss) for the year        | <b>106,899</b> | <b>89,929</b> |
| <b>Distribution</b>               |                |               |
| To Voluntary reserves             | 6,407          | 1,693         |
| To Interim dividend               | 50,246         | 44,118        |
| To Final dividend                 | 50,246         | 44,118        |
| <b>PROFIT AND LOSSES</b>          | <b>106,899</b> | <b>89,929</b> |

### d) Reserves in consolidated companies and effect of first conversion

The amount of the reserve in consolidated companies and the effect of first conversion amounts at €984,315 thousand and €811,623 thousand as of 31<sup>st</sup> December 2022 and 2021, respectively.

This heading records, in addition to the reserves in consolidated companies, the effects of the adjustments made in conjunction with transition to IFRS on the date of first-time application, 1<sup>st</sup> January 2005, and the effect of valuing certain financial assets/liabilities at market prices (Note 9).

## 14.3 Translation differences

Translation differences collect the exchange rate differences generated as a result of the variation of the euro exchange rate with respect to the main currencies of the group's foreign societies.

The translation differences at year-end 2022 are negative for an amount of €220,978 thousand (2021: €236,658 thousand negative). The variations of the conversion differences corresponding to the exercises ended as of December 31, 2022 and 2021 are included in the consolidated state of changes in the net worth.

The detail by currency is as follows:

| Currency                       | 2022             | 2021             | Variation     |
|--------------------------------|------------------|------------------|---------------|
| US dollar                      | 30,063           | 4,428            | 25,635        |
| Brazilian real                 | (212,809)        | (240,691)        | 27,882        |
| Chinese yuan                   | 26,235           | 48,644           | (22,409)      |
| Indian rupee                   | (46,933)         | (26,105)         | (20,828)      |
| Other                          | (17,534)         | (22,934)         | 5,400         |
| <b>Translation differences</b> | <b>(220,978)</b> | <b>(236,658)</b> | <b>15,680</b> |



## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 14.4 Non-controlling interests

Movements in non-controlling interests are as follows:

| Thousand euro                                                  | 2022           | 2021           |
|----------------------------------------------------------------|----------------|----------------|
| <b>Balance at 1<sup>st</sup> January of current period</b>     | <b>380,369</b> | <b>348,171</b> |
| Profit of the year                                             | 42,100         | 25,931         |
| Difference in foreign currency conversion                      | (8,888)        | 16,030         |
| Other (gross hedges of cash flows, tax effect, etc.)           | 1,647          | 342            |
| <b>Net income/(expense) recognized directly in equity</b>      | <b>34,859</b>  | <b>42,303</b>  |
| Dividends to non-dominant shares                               | (9,178)        | (5,270)        |
| Variations in the perimeter and business combinations (Note 1) | (45,053)       | (4,788)        |
| Other movements                                                | 312            | (47)           |
| <b>Balance at 31<sup>st</sup> December of current period</b>   | <b>361,309</b> | <b>380,369</b> |

The breakdown of non-controlling interests by Company/Subgroup is as follows (in thousand euro):

| 31 <sup>st</sup> December 2022   |                   |                           |                                                 |
|----------------------------------|-------------------|---------------------------|-------------------------------------------------|
| Thousand euro                    | % Non-controlling | Non-controlling interests | Income attributable to non-controlling interest |
| Mahindra CIE Subgroup            | 34.29%            | 306,351                   | 33,945                                          |
| Other minor                      | -                 | 54,958                    | 8,155                                           |
| <b>Non-controlling interests</b> |                   | <b>361,309</b>            | <b>42,100</b>                                   |

| 31 <sup>st</sup> December 2021   |                   |                           |                                                 |
|----------------------------------|-------------------|---------------------------|-------------------------------------------------|
| Thousand euro                    | % Non-controlling | Non-controlling interests | Income attributable to non-controlling interest |
| Mahindra CIE Subgroup            | 39.25%            | 328,511                   | 17,565                                          |
| Other minor                      | -                 | 51,858                    | 8,366                                           |
| <b>Non-controlling interests</b> |                   | <b>380,369</b>            | <b>25,931</b>                                   |

The assets, liabilities and the profit for the year 2022 assigned to the Mahindra CIE subgroup incorporated to the Consolidated Annual Accounts amount to €1,523.7 million, €575.7 million and €94.7 million respectively (2021: €1,479.6 million, €592.1 million and €44.7 million respectively).

As of 31<sup>st</sup> December 2022, the equity value assignable to the Group amounts to €642.4 million (€559.7 million at 31<sup>st</sup> December 2021).

As of 31<sup>st</sup> December 2022, following the recovery of the share price to Rs 344.1 (last trading day), the quoted value of the Group's investment in the Mahindra CIE subgroup is higher than the carrying value of consolidated net assets. In addition, on the same date, the Group has assessed the possible existence of indications of impairment with respect to the net assets allocated to this subgroup, with no evidence of impairment detected (Note 8).

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 15. Borrowings

The detail of the resources of the group as of 31<sup>st</sup> December 2022 and 31<sup>st</sup> December 2021 classified by concept is as follows:

| Thousand euro                                                     | 31.12.2022       | 31.12.2021       |
|-------------------------------------------------------------------|------------------|------------------|
| Bank borrowings (a)                                               | 1,669,109        | 1,654,078        |
| <b>Non-current borrowings</b>                                     | <b>1,669,109</b> | <b>1,654,078</b> |
| Bank borrowings (a)                                               | 239,156          | 160,409          |
| Commercial paper programme (b)                                    | 196,900          | 360,750          |
| Discounted bills pending maturity and prepayments on export bills | 35,957           | 4,616            |
| <b>Current borrowings</b>                                         | <b>472,013</b>   | <b>525,775</b>   |
| <b>TOTAL BORROWINGS</b>                                           | <b>2,141,122</b> | <b>2,179,853</b> |

The Group's policy is to diversify its financing sources. There is no concentration of loan/credit risk in respect of its bank borrowings as the Group works with multiple entities.

The exposure of the Group's bank borrowings to interest rate changes is as follows:

| Thousand euro                                   | Note | Balance at 31 <sup>st</sup><br>December | At more than 1<br>year | At more than 5<br>years |
|-------------------------------------------------|------|-----------------------------------------|------------------------|-------------------------|
| Total borrowings                                |      | 2,141,122                               | 1,669,109              | 147,105                 |
| Total borrowings at initial fixed interest rate |      | (1,052,689)                             | (748,050)              | (103,103)               |
| Interest rate swaps impact                      | 9    | (50,000)                                | -                      | -                       |
| <b>Risk at 31<sup>st</sup> December 2022</b>    |      | <b>1,038,433</b>                        | <b>921,059</b>         | <b>44,002</b>           |
| Total borrowings                                |      | 2,179,853                               | 1,654,078              | 178,508                 |
| Total borrowings at initial fixed interest rate |      | (770,036)                               | (382,826)              | (100,776)               |
| Interest rate swaps impact                      | 9    | -                                       | -                      | -                       |
| <b>Risk at 31<sup>st</sup> December 2021</b>    |      | <b>1,409,817</b>                        | <b>1,271,252</b>       | <b>77,732</b>           |

#### a) Bank borrowings

Non-current borrowings have the following maturities:

| Thousand euro                       | 31.12.2022       | 31.12.2021       |
|-------------------------------------|------------------|------------------|
| Between 1 and 2 years               | 701,348          | 288,277          |
| Between 3 and 5 years               | 820,658          | 1,187,293        |
| Over 5 years                        | 147,103          | 178,508          |
| <b>TOTAL NON-CURRENT BORROWINGS</b> | <b>1,669,109</b> | <b>1,654,078</b> |

The effective interest rates at the balance sheet dates are the usual market rates (benchmark rate plus a market spread) and there are no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels.

Bank borrowings carry interest at market rates, by currency, plus a spread that ranges between 40 and 600 basis points as of 31<sup>st</sup> December 2022 (30 and 600 basis points as of 31<sup>st</sup> December 2021).

The carrying amounts and fair values of current and non-current borrowings do not differ significantly since an important portion thereof has been arranged recently and, in all cases, they accrue interest at market rates; note additionally the effect of the interest-rate hedges described in Notes 5.1 and 9.b).

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The carrying amount of the Group's borrowings is denominated in the following currencies:

| Thousand euro           | 31.12.2022       | 31.12.2021       |
|-------------------------|------------------|------------------|
| Euro                    | 1,901,529        | 1,903,496        |
| US dollar               | 220,327          | 264,447          |
| Other                   | 19,266           | 11,910           |
| <b>TOTAL BORROWINGS</b> | <b>2,141,122</b> | <b>2,179,853</b> |

At 31<sup>st</sup> December 2022 the Group had drawn credit lines with financial institutions for an amount of €117 million (31<sup>st</sup> December 2021: €33 million). The total limit of the aforementioned lines of credit amounts to €794 million (31<sup>st</sup> December 2021, €758 million), so it has €677 million (31<sup>st</sup> December 2021: €725 million) of loans and credit lines undrawn at a fixed and floating interest rate.

| Thousand euro                          | 31.12.2022     | 31.12.2021     |
|----------------------------------------|----------------|----------------|
| Expiring within one year               | 154,918        | 161,666        |
| Expiring beyond one year               | 521,990        | 563,101        |
| <b>TOTAL AVAILABLE LINES OF CREDIT</b> | <b>676,908</b> | <b>724,767</b> |

### Syndicated loan 2014

On 28<sup>th</sup> July 2014 CIE Automotive, S.A. entered into a new financing arrangement with a syndicate of six financial institutions for €450 million. The amortisation period stood at 5 years, with an average term of 4.7 years. This improved the average term of the Company's financing and the economic terms and conditions of the former syndicated financing agreement. The subsequent amendments related to this financing were the following:

- On 13<sup>th</sup> April 2015 the syndicated loan was novated and a decrease in the initially negotiated spread was agreed. Similarly, it was agreed to extend the maturity periods, establishing the new final maturity date in April 2020.
- On 14<sup>th</sup> July 2016, the Parent company signed a second novation with respect to the syndicated financing agreement. According to this novation, the total amount was increased by €150 million, to €600 million, the maturity period was extended for another year, the last payment therefore being due in April 2021 and a change was agreed in the margin initially negotiated and novated in 2015.
- On 6<sup>th</sup> June 2017, the Parent company signed a third novation with respect to the syndicated financing agreement. According to this novation, the maturity period was extended by one year for most of finance institutions, being the last payment due in April 2022.
- On 27<sup>th</sup> April 2018, the Parent company signed a fourth novation of this syndicated financing agreement. According to this novation, the maturity period was extended by one year, being the last payment due in April 2023.
- On 12<sup>th</sup> April 2019, the Parent company has signed a fifth novation with respect to the syndicated agreement. According to this novation, the limit has been increased by €90 million, reaching a total of €690 million; and the maturity has been extended until April 2024.
- On 27<sup>th</sup> February 2020, the parent company requested the extension of the maturity date until 13<sup>th</sup> April 2025, being approved by most of the financing entities.
- In June 2020, this finance agreement became a sustainable loan valued by an external agent annually with its subsequent adjustment to the margin based on the improvement of the annual ratios of the Group's Environmental, Social and Governance criteria.
- On 16<sup>th</sup> June 2021, a longer maturity agreement was signed due on April 2026, and which was approved by all financial entities involved.
- On 6<sup>th</sup> June 2022, the extension of this financing until April 2027 has been signed, a new extension was unanimously approved by the financing entities.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The drawn amount of this syndicated financing agreement on 31<sup>st</sup> December 2022 amounted to €340 million (31<sup>st</sup> December 2021: €300 million), and its interest rate is indexed to Euribor plus a variable margin based on the Net Finance Debt/EBITDA ratio.

### Other financing

On 14<sup>th</sup> July 2016, the Parent company arranged a new loan with several financial and insurance institutions amounting to €85 million and with final maturity in 10 years. Part of this finance agreement was contracted to a fixed interest rate, and the other part to a floating interest rate indexed to Euribor. In July 2021, a 2-year extension was signed for this financing, bringing the final maturity to 2028 and becoming the same at a fixed market interest. The balance disposed to 31<sup>st</sup> December 2022 and 2021 amounts to €68 million.

In 2014 and 2018, the Group signed financing agreements with the European Investment Bank (EIB) to finance various research and development projects in the automotive components sector. During the first half year of 2021 the Group paid-out the finance agreement signed in 2014. In addition, in September 2020 the Group signed a finance agreement with this institution amounting to €40 million, due in 2030. The final maturity of these financings is in 2031 and the outstanding balance as of 31<sup>st</sup> December 2022 amounts to €108 million euros (€116 million as of 31<sup>st</sup> December 2021).

On 5<sup>th</sup> July 2018 the Group signed a financing contract amounting to USD150 million with International Finance Corporation (World Bank Group) and EDC (Export Development of Canada). This funding has a maturity of 10 years and aims to support sustainable growth of the CIE Automotive Group in Mexico in the coming years. On 31<sup>st</sup> December 2022 the drawn amount of such funding is €106 million approximately (31<sup>st</sup> December 2021: €115 million approximately).

All these financing facilities are subject to compliance with different financial ratios usual for these contracts in the market. As of 31<sup>st</sup> December 2022 and 31<sup>st</sup> December 2021, the Group complies with all the obligations that, in accordance with the financing contracts, were in force and were payable by the different lenders as of that date.

The rest of the Group's financing relates mainly to non-structural financing contracted by the Parent company under market conditions. In addition to these, other significant financing agreements are as follows:

- On 11<sup>th</sup> May 2016, the Group, through its US subsidiary CIE Investments USA, Inc., arranged two loans of USD35 million each, with maturity of 3 and 5 years, respectively, at a floating interest rate, linked to a market interest rate. In 2020 and 2021, renovations were carried out, renewing one of the loans amounting to USD35 million due in 2024. The balance as of 31<sup>st</sup> December 2022 amounts to €33 million euros (31<sup>st</sup> December 2021: €43 million).
- In June 2018, the Group contracted a new loan of USD50 million from a financial institution, through the Mexican subsidiary CIE Automotive de México, S.A.P.I. de C.V., for a five years term and an eleven month grace period, at a floating interest rate linked to a market interest rate, on conditions in line with current market price parameters. The balance of this loan on 31<sup>st</sup> December 2022 amounts to €6 million (31<sup>st</sup> December 2021: €17 million).
- In February 2017, the Mexican companies Pintura, Estampado y Montaje, S.A.P.I. de C.V. and Pintura y Ensamblajes de México, S.A. de C.V. arranged three loans amounting to USD60 million, USD40 million and USD40 million, which are due in July 2021, February 2022, and February 2023 respectively. On 21<sup>st</sup> December 2020, one of the loans for an amount of USD60 million was renewed in advance, extending its maturity to 2022. In December 2021, the entire outstanding amount of these financings was amortized, leaving its balance fully settled as of 31<sup>st</sup> December 2021.

In its commitment to sustainability and in accordance with its strategic plan, the Group has been incorporating sustainable financing criteria into its financing in its objective for 2025 of obtaining more than half of the Group's gross debt classified as sustainable debt.

In 2022, the Group has repaid €237 million related to bank credits and loans (2021: €582 million) and loans and additional credit accounts have been arranged for an amount of €299 million included those disclosed above (2021: €741 million).

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### b) Commercial paper program

On 19<sup>th</sup> July 2018, the Parent company of the Group made public the formalization of a program of issuance of commercial paper program with a maximum amount of €200 million, which was registered in the Ireland Stock Market and which will serve as diversification of financing of working capital needs of the Group and as an alternative to bank financing for this purpose. On 18<sup>th</sup> July 2019, the program was renewed increasing the maximum amount to €300 million. On 18<sup>th</sup> March 2020, the maximum amount was increased to €400 million and on 21<sup>st</sup> July 2020 the program was renewed. As of 31<sup>st</sup> December 2022, the drawn balance amounts to €197 million (€361million as of 31<sup>st</sup> December 2021).

### 16. Trade and other payables

| Thousand euro          | 31.12.2022       | 31.12.2021     |
|------------------------|------------------|----------------|
| Trade payables         | 924,172          | 840,478        |
| Other account payables | 102,437          | 94,395         |
| <b>TOTAL</b>           | <b>1,026,609</b> | <b>934,873</b> |

The fair values of these payables do not differ from their carrying amounts.

The breakdown of trade payables settled during 2022 and 2021 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of 5<sup>th</sup> of July, is as follows:

| Days                                | 2022 | 2021 |
|-------------------------------------|------|------|
| Paid operations ratio               | 73   | 76   |
| Outstanding operations ratio        | 77   | 79   |
| Average payment period to suppliers | 68   | 70   |

| Payments in thousand euro | 2022    | 2021    |
|---------------------------|---------|---------|
| Payments made             | 402,642 | 423,545 |
| Outstanding payments      | 259,811 | 216,897 |

Additionally, and in accordance with the obligations required in the Spanish Law 18/2022 on creation and growth of companies, it is reported that the total amount of payments made in before than the maximum established by Law 5/2010 has amounted to €96,933 and 16,049 invoices, which represent 24% of the total payments made and 27% of the total invoices.

While some companies have exceeded the time limit to domestic suppliers established in Law 15/2010, the Group has launched a series of measures have been launched essentially intended to the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 17. Other liabilities

| Thousand euro                              | 31.12.2022     | 31.12.2021     |
|--------------------------------------------|----------------|----------------|
| Capital creditors                          | 1,802          | 10,848         |
| Long-term payables to tax authorities      | 12,882         | 15,420         |
| Other non-current debts                    | 67,966         | 69,336         |
| Lease liabilities (Note 7.1.e)             | 62,799         | 57,813         |
| <b>Non-Current</b>                         | <b>145,449</b> | <b>153,417</b> |
| Current tax liabilities                    | 63,672         | 80,069         |
| Short-term payables to tax authorities     | 1,546          | 1,938          |
| Capital creditors                          | 37,930         | 35,421         |
| Accrued wages and salaries                 | 85,870         | 90,550         |
| Other current liabilities                  | 5,812          | 6,781          |
| Debts for business acquisitions (Note 5.3) | -              | 232            |
| Accruals and deferred income               | 19,272         | 15,756         |
| Lease liabilities (Note 7.1.e)             | 20,292         | 19,606         |
| <b>Current</b>                             | <b>234,394</b> | <b>250,353</b> |
| <b>TOTAL OTHER LIABILITIES</b>             | <b>379,843</b> | <b>403,770</b> |

The fair value of these liabilities does not differ significantly from their carrying amounts.

The balances included under Payables to tax authorities within long and short term include liabilities generated by the deferral of VAT, personal income tax and social security payments as well as several other items (repayment of grants, court bonds and other).

#### Other current and non-current liabilities

At 31<sup>st</sup> December 2022 this heading includes loans to finance investment projects received from public financing institutions totalling to €12,809 thousand (2021: €17,025 thousand), being €7,933 thousand (2021: €11,571 thousand) classified as other long-term liabilities. Moreover, this heading also includes the granted loan in March 2019 by COFIDES, which at 31<sup>st</sup> December 2022 amounts to €49,869 thousand, being fully classified in the long term (2021: €49,838 thousand, fully classified in the long term), and accrues an interest at a rate benchmarked to Euribor plus a market spread.

Other non-current liabilities have the following maturities:

| Thousand euro                              | 31.12.2022     | 31.12.2021     |
|--------------------------------------------|----------------|----------------|
| Between 1 and 2 years                      | 21,519         | 25,656         |
| Between 2 and 5 years                      | 61,189         | 47,619         |
| Over 5 years                               | 62,741         | 80,142         |
| <b>TOTAL NON-CURRENT OTHER LIABILITIES</b> | <b>145,449</b> | <b>153,417</b> |

### 18. Deferred taxes

The breakdown of deferred tax assets and deferred tax liabilities is as follows:

| Thousand euros           | 31.12.2022    | 31.12.2021    |
|--------------------------|---------------|---------------|
| Deferred tax assets      | 198,003       | 192,866       |
| Deferred tax liabilities | (176,237)     | (161,834)     |
| <b>NET</b>               | <b>21,766</b> | <b>31,032</b> |

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The overall movement in the deferred tax account is as follows:

| Thousand euro                                               | Note | 2022          | 2021          |
|-------------------------------------------------------------|------|---------------|---------------|
| <b>Opening balance</b>                                      |      | <b>31,032</b> | <b>38,678</b> |
| (Charged)/credited to the income tax expense <sup>(*)</sup> | 24   | (1,597)       | (11,427)      |
| (Charged)/credited to other results <sup>(**)</sup>         | 24   | 734           | 812           |
| (Charged)/credited to equity                                |      | (868)         | (614)         |
| Discontinued activities                                     | 13   | (5,170)       | -             |
| Transfers and others <sup>(***)</sup>                       |      | (2,365)       | 3,583         |
| <b>Closing balance</b>                                      |      | <b>21,766</b> | <b>31,032</b> |

(\*) The amount related to discontinued activities as of 31<sup>st</sup> December 2022 amounts to €241 thousand (€64 thousand income as of 31<sup>st</sup> December 2021).

(\*\*) The item (charged) / credited to other results corresponds to the record of research and development deductions that are collected, in accordance with IAS 20, under the heading of "operating grants".

(\*\*\*) Includes mainly movements on deferred items due to foreign currency exchange fluctuations.

The movement in deferred income tax assets and liabilities during 2022 and 2021 is as follows:

| Deferred tax assets (thousand euros)                      | 2022           | 2021           |
|-----------------------------------------------------------|----------------|----------------|
| Non-deductible provisions and other temporary differences | 137,779        | 132,691        |
| Losses carried forward (tax losses)                       | 26,032         | 24,236         |
| Other tax credits                                         | 34,192         | 35,939         |
| <b>TOTAL</b>                                              | <b>198,003</b> | <b>192,866</b> |

| Deferred tax liabilities (thousand euros) | 2022           | 2021           |
|-------------------------------------------|----------------|----------------|
| Goodwill                                  | 72,089         | 63,807         |
| Fair value gains <sup>(*)</sup>           | 26,944         | 29,735         |
| Hedge instruments                         | 323            | 26             |
| Accelerated depreciation and others       | 76,881         | 68,266         |
| <b>TOTAL</b>                              | <b>176,237</b> | <b>161,834</b> |

(\*) It includes the effects of the fair value of first conversion assets and the allocation of capital gains in the acquisition of subsidiaries and the revaluation of credits.

As of 31<sup>st</sup> December 2022, and 2021, the detail of non-deductible provisions and other temporary differences corresponds, mainly, to the temporary limitation to the deduction of certain provisions and expenses of various kinds.

During the year 2022, there have been no significant variations in the activation/deactivation of tax credits. In 2021, the Group obtained documented certainty for increasing the use of such tax incentives in the taxable income, which modified negatively the forecasted taxable income of the Basque tax group, and consequently, an additional allowance of tax credits amounting to €2.6 million was registered.

The changes in deferred tax liabilities correspond to the deductibility of financial goodwill in several geographies for an amount of approximately €9 million in the financial year 2022 (€5 million in 2021), and the fluctuation of the exchange rate by €7 million, as well as the accelerated depreciation of certain assets and the tax impact of certain capital gains resulting in the different business combinations conducted by the Group. Additionally, in 2021, the main variation in deferred tax liabilities was related to the recording of an exceptional accounting loss of €16 million in the company Mahindra CIE Automotive, Ltd. due to the tax reform by which the right to amortize the goodwill generated in company acquisitions was eliminated in that year. The recognition occurred based on the difference between the tax value and the book value of goodwill, without being estimated, in any case, future cash outflow by the registration of this tax liability.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The detail of recognised tax losses and credits by tax territories is as follows:

| Thousand euro     | Segment                     | 2022          |               | 2021          |               |
|-------------------|-----------------------------|---------------|---------------|---------------|---------------|
|                   |                             | Tax losses    | Tax credits   | Tax losses    | Tax credits   |
| Basque tax group  | Rest of Europe              | 8,191         | 30,524        | 8,100         | 30,009        |
| Spanish tax group | Rest of Europe              | 2,534         | 774           | 2,631         | 861           |
| Rest of Europe    | Rest of Europe /MCIE Europe | 259           | 1,499         | 572           | 4,131         |
| Brazil            | Brazil                      | 4,638         | 961           | 3,897         | 938           |
| United States     | North America               | 8,682         | 434           | 7,175         | -             |
| Other territories | -                           | 1,728         | -             | 1,861         | -             |
| <b>TOTAL</b>      |                             | <b>26,032</b> | <b>34,192</b> | <b>24,236</b> | <b>35,939</b> |

### Recovery of losses and tax credits

The Group performs, at least at the end of each fiscal year, an impairment assessment for its deferred tax assets based on the projections included in its budget (Note 8) and an estimate of adjustments to the taxable income for each year, based on the applicable tax regulations of each tax territory in force at the end of the evaluation exercise. In the context of this assessment, deferred tax assets evolve based on the results and estimates projected by each plant, together with the existing knowledge about the behaviour of the market in which they operate and the tax particularity of each tax territory.

Deferred tax assets are recognized when there is sufficient evidence of their recovery within a reasonable time horizon, and which the Group defines, in general, in a maximum period of 10 years. At 31<sup>st</sup> December 2022 and 2021, the Group has recognized recoverable tax credits and losses within the estimation period, except from very specific situations where other qualitative factors may challenge their recoverability.

As of 31<sup>st</sup> December 2022 and 2021, the Group had not recognized tax losses for €303 million and €334 million (base amount), respectively, in different jurisdictions since the necessary conditions for their recognition were not met. The main variation compared to the previous year is related to the definitive loss of negative tax bases of Stokes Group, Ltd (Note 13) amounting to €19 million.

Accordingly, the Group has not recognized tax credits (tax amount) amounting to €74 million (€68 million as of 31<sup>st</sup> December 2021), which mainly correspond to the Basque tax group and which have not been recognized since their recovery is not estimated in the defined reasonable timeline.



## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 19. Provisions

The detail of the provisions as of 31<sup>st</sup> December 2022 and 2021 is as follows:

| Thousand euro                             | 2022           | 2021           |
|-------------------------------------------|----------------|----------------|
| Provisions for commitments with employees | 40,368         | 80,823         |
| Other provisions                          | 268,449        | 250,795        |
| <b>TOTAL</b>                              | <b>308,817</b> | <b>331,618</b> |

#### 19.1 Provisions for commitments with employees

Set out below is a breakdown of employee benefit provisions classified by country:

| Thousand euro          | 31.12.2022    | 31.12.2021    |
|------------------------|---------------|---------------|
| Germany <sup>(*)</sup> | 30,629        | 70,875        |
| India                  | 6,915         | 6,427         |
| Italy                  | 2,652         | 3,393         |
| Mexico                 | 172           | 128           |
| <b>TOTAL PENSIONS</b>  | <b>40,368</b> | <b>80,823</b> |

(\*) As of 31<sup>st</sup> December 2022, €17.6 thousand related to pension liabilities in Germany are classified as "group of liabilities held-for-sale" (Note 13).

The main commitments of post-employment plans and other long-term benefits to the personnel that several companies in the Group guarantee to certain groups disclosed by country are the following ones:

- 1) Post-employment benefit plans and other long-term employee benefits in Germany fully covered through in-house provisions, such as, length-of-service awards and supplements under phased retirement arrangements.
- 2) Post-employment benefit plans in India which are mostly under in-house provisions: lifetime retirement pensions, retirement awards financed externally under insurance contracts and retirement awards in the event of the termination of the employment contracts.
- 3) Post-employment benefit plans in Italy. The pension model is currently TFR. This was a defined benefit plan that was converted into a defined contribution plan as a result of the Pension Reform which took place in December 2005.

The Group estimates annually through actuarial studies carried out by independent experts the amount of the obligation and payments for pension and benefits similar to those that will have to be made in the following year, which are recorded as current liabilities in the Consolidated Balance Sheet.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The movement of the defined benefit obligation and the long-term benefits to personnel during 2022 and 2021 has been as follows:

| 31 <sup>st</sup> December 2022          |               |                      |                                |                                                    |                                   |                 |                         |                         |               |
|-----------------------------------------|---------------|----------------------|--------------------------------|----------------------------------------------------|-----------------------------------|-----------------|-------------------------|-------------------------|---------------|
| CALCULATION OF ASSESSMENTS              |               |                      |                                |                                                    |                                   |                 |                         |                         |               |
| Thousand euro                           | 31.12.2021    | CURRENT SERVICE COST | EXPENSES/ (INCOME) BY INTEREST | (PROFIT) / LOSSES FROM CHANGES IN FINANCIAL ASSETS | (PROFIT) / LOSSES FROM EXPERIENCE | PAYMENT OF FEES | DISCONTINUED ACTIVITIES | TRANSLATION DIFFERENCES | 31.12.2022    |
| Post-employment benefits <sup>(1)</sup> | 78,942        | 2,623                | 942                            | (22,672)                                           | 114                               | (4,038)         | (16,118)                | 403                     | 40,196        |
| Long-term benefits with staff           | 1,881         | 479                  | (86)                           | (134)                                              | -                                 | (485)           | (1,490)                 | 7                       | 172           |
| <b>TOTAL PENSIONS</b>                   | <b>80,823</b> | <b>3,102</b>         | <b>856</b>                     | <b>(22,806)</b>                                    | <b>114</b>                        | <b>(4,523)</b>  | <b>(17,608)</b>         | <b>410</b>              | <b>40,368</b> |

| 31 <sup>st</sup> December 2021          |               |                       |                                |                                                    |                                   |                 |                         |                         |               |
|-----------------------------------------|---------------|-----------------------|--------------------------------|----------------------------------------------------|-----------------------------------|-----------------|-------------------------|-------------------------|---------------|
| CALCULATION OF ASSESSMENTS              |               |                       |                                |                                                    |                                   |                 |                         |                         |               |
| Thousand euro                           | 31.12.2020    | CURRENT SERVICES COST | EXPENSES/ (INCOME) BY INTEREST | (PROFIT) / LOSSES FROM CHANGES IN FINANCIAL ASSETS | (PROFIT) / LOSSES FROM EXPERIENCE | PAYMENT OF FEES | DISCONTINUED ACTIVITIES | TRANSLATION DIFFERENCES | 31.12.2021    |
| Post-employment benefits <sup>(1)</sup> | 86,482        | 1,728                 | 377                            | (5,818)                                            | (1,383)                           | (3,232)         | -                       | 788                     | 78,942        |
| Long-term benefits with staff           | 1,931         | 350                   | 6                              | 34                                                 | -                                 | (472)           | -                       | 32                      | 1,881         |
| <b>TOTAL PENSIONS</b>                   | <b>88,413</b> | <b>2,078</b>          | <b>383</b>                     | <b>(5,784)</b>                                     | <b>(1,383)</b>                    | <b>(3,704)</b>  | <b>-</b>                | <b>820</b>              | <b>80,823</b> |

<sup>(1)</sup> It corresponds to retirement pensions for life in Germany and India, as well as retirement awards in India and post-employment benefit plans in Italy and Mexico.

The financial-actuarial assumptions used in the actuarial valuations are set out below:

| 2022                             |                           |                                               |                     |             |
|----------------------------------|---------------------------|-----------------------------------------------|---------------------|-------------|
|                                  | Germany                   | India                                         | Italy               | Mexico      |
| Interest rate                    | 3.69%                     | 6.00% - 7.50%                                 | 3.00% - 3.27%       | 9.91%       |
| Expected performance active plan | N/A                       | 6.00% - 6.90%                                 | N/A                 | N/A         |
| Future growth of wages           | 3.00%                     | 8.00%                                         | 0.00% - 0.50%       | 5.04%       |
| Future growth of pensions        | 2.00%                     | 0.00% - 8.00%                                 | 3.00% - 3.23%       | 6.00%       |
| Table of mortality               | Dr. K.Heubeck - RT 2018 G | IALM 2012 and 2012-2014                       | RG48                | EMSSAH 2009 |
| Retirement age                   | 65 years                  | 58 years for workers, 60 years for the others | 62 years - 65 years | 65 years    |
| Method of valuation              | PUC                       | PUC                                           | TFR                 | PUC         |

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

|                                  | 2021                      |                                      |                     |             |
|----------------------------------|---------------------------|--------------------------------------|---------------------|-------------|
|                                  | Germany                   | India                                | Italy               | Mexico      |
| Interest rate                    | 1.03% - 1.17%             | 6.00% - 6.80%                        | 0.22% - 0.85%       | 7.61%       |
| Expected performance active plan | N/A                       | 6.00% - 6.50%                        | N/A                 | N/A         |
| Future growth of wages           | 2.50%                     | 5.00% - 8.00%                        | 0.00% - 0.50%       | 4.54%       |
| Future growth of pensions        | 1.00% - 1.80%             | 0.00% - 8.00%                        | 2.40%               | 4.50%       |
| Table of mortality               | Dr. K.Heubeck - RT 2018 G | IALM 2006-2008 and 2012-2014         | RG48                | EMSSAH 2009 |
| Retirement age                   | 65 years                  | 58 years for workers, for the others | 59 years - 65 years | 65 years    |
| Method of valuation              | PUC                       | PUC                                  | TFR                 | PUC         |

(\*) Includes only assumptions considered for continuing activities

The contributions to these plans in the next financial year 2023 would amount to approximately €4.1 million in relation to liabilities of continuing activities.

### 19.2 Other current and non-current provisions

The breakdown of the movements in Group provisions in 2022 and 2021 is as follows:

| Thousand euro                     | 31.12.2022     | 31.12.2021     |
|-----------------------------------|----------------|----------------|
| <b>Beginning balance</b>          | <b>331,618</b> | <b>324,989</b> |
| Additions / (Reversals)           | (5,410)        | 21,417         |
| Income statement                  | 35,351         | 28,584         |
| Equity                            | (19,407)       | (7,167)        |
| Application and payments          | (20,985)       | (23,105)       |
| Discontinued activities (Note 13) | (20,472)       | -              |
| Transfers and other movements (*) | 2,712          | 8,317          |
| <b>Ending balance</b>             | <b>308,817</b> | <b>331,618</b> |
| <b>NON-CURRENT PROVISIONS</b>     | <b>135,298</b> | <b>196,534</b> |
| <b>CURRENT PROVISIONS</b>         | <b>173,519</b> | <b>135,084</b> |

(\*) Mainly relate to exchange rate effects in subsidiaries.

Non-current provisions at 31<sup>st</sup> December 2022 mainly include the following:

- A €49.3 million provision (31<sup>st</sup> December 2021: €73.4 million) to cover the operating risks of the business which is considered to be payable in the long term, corresponding in a significant part to liabilities associated with contracts with clients for a value of €7.1 million (31<sup>st</sup> December 2021: €14.5 million) and the coverage of guarantees negotiated with clients related to the manufacture of solar roofs worth €11.7 million (31<sup>st</sup> December 2021: €10.2 million).
- A €37.0 million provision (31<sup>st</sup> December 2021: €33.7 million) corresponding almost entirely to tax contingencies in Brazil, mainly related to taxes and fiscal charges other than corporate tax, of which €1.4 million are on court deposit pending court rulings as of 31<sup>st</sup> December 2022 (31<sup>st</sup> December 2021: €1.5 million).

The current provisions as of 31<sup>st</sup> December 2022 are mainly intended to cover operational risks of the business in various Group companies considered payable in the short term (2022: €166.9 million; 2021: €125.1 million) corresponding in a significant part to the coverage of guarantees negotiated with customers relating to the manufacture of solar roofs worth €53.6 million (31<sup>st</sup> December 2021: €60.7 million) as well as the coverage of customer claims, recognized at fair value, and which the Group Management estimates will be resolved throughout 2023.

Additionally, the heading of other provisions, both non-current and current, includes the provisions established to meet obligations derived mainly from tax claims, litigation and arbitration, compensation and other responsibilities and the coverage of risks derived from the development of the business that in the year have been evolved according to each specific case and that in no case do they represent significant isolated amounts.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 20. Operating income

The composition of the balances of this heading of the income statement for the years 2022 and 2021 is as follows:

| Thousand euro                                                 | Note | 2022             | 2021 <sup>(*)</sup> |
|---------------------------------------------------------------|------|------------------|---------------------|
| Revenue                                                       |      |                  |                     |
| - Sale of products                                            |      | 3,838,606        | 3,093,290           |
| Changes in inventories of finished goods and work in progress | 11   | 26,837           | 29,784              |
| Other operating income                                        |      | 183,779          | 189,431             |
| <b>TOTAL</b>                                                  |      | <b>4,049,222</b> | <b>3,312,505</b>    |

<sup>(\*)</sup> Recasted figures, refer to Note 3.

Other operating income includes scrap sales of €107.7 million (€85.4 million in 2021), provision of services other than the sale of automotive products, operating subsidies and the transfer to results of capital subsidies, net profit from the sale of fixed assets and other operating income.

In addition, in 2021, this heading included the recognition of compensation for the termination of a contract with a client amounting to €41 million. This income mainly covers and offsets different expenses and impairments recorded in the consolidated income statement account due to the completion of the project. These impacts had been classified, according to their nature, under the headings "other operating expenses –provision for inventory" (Note 21), consumptions, impairments on the value of the assets dedicated to the contract with this client (Notes 7 and 8), and benefit employee expenses (Note 22).

The breakdown by currency of revenue invoiced in foreign currency (equivalent amounts in thousands euro) is as follows:

| Thousand euro  | 2022             | 2021             |
|----------------|------------------|------------------|
| US dollar      | 1,152,786        | 859,714          |
| Chinese yuan   | 431,582          | 430,108          |
| Brazilian real | 311,155          | 215,928          |
| Indian rupee   | 551,698          | 402,676          |
| Other          | 99,607           | 98,042           |
| <b>TOTAL</b>   | <b>2,546,828</b> | <b>2,006,758</b> |

### 21. Other operating expenses

The composition of the balances of this heading of the income statement for the years 2022 and 2021 is as follows:

| Thousand euro                                     | Note | 2022           | 2021 <sup>(*)</sup> |
|---------------------------------------------------|------|----------------|---------------------|
| Utilities                                         |      | 175,160        | 88,389              |
| Transport                                         |      | 56,162         | 40,981              |
| Repairs                                           |      | 48,763         | 45,613              |
| Provision for impairment of accounts receivable   | 10   | 95             | 2,687               |
| Provision for inventory impairment (obsolescence) | 11   | 9,413          | 19,557              |
| Independent professional services                 |      | 21,690         | 24,901              |
| Travel and representation expenses                |      | 7,365          | 6,265               |
| Environmental expenses                            |      | 8,512          | 2,937               |
| Insurance and other taxes                         |      | 31,253         | 20,132              |
| Subcontracted services                            |      | 41,400         | 16,967              |
| Other operating expenses <sup>(**)</sup>          |      | 40,498         | 18,652              |
| <b>TOTAL</b>                                      |      | <b>440,311</b> | <b>287,082</b>      |

<sup>(\*)</sup> Re-casted figures, refer to Note 3.

<sup>(\*\*)</sup> It includes, among others, the registration of warranties and other operating contingencies.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 22. Employee benefit expense

The composition of the balances of this heading of the income statement for the years 2022 and 2021 is as follows:

| Thousand euro                              | 2022           | 2021 <sup>(*)</sup> |
|--------------------------------------------|----------------|---------------------|
| Wages and salaries                         | 469,990        | 433,648             |
| Social security cost                       | 82,171         | 77,990              |
| Other welfare expenses                     | 49,429         | 33,173              |
| Severance payments and restructuring costs | 3,557          | 6,552               |
| <b>TOTAL</b>                               | <b>605,147</b> | <b>551,363</b>      |

(\*) Re-casted figures, refer to Note 3.

The average Group headcount by category is as follows:

| Category                                                       | 2022          | 2021          |
|----------------------------------------------------------------|---------------|---------------|
| Executives                                                     | 984           | 969           |
| University graduates, specialists and administrative employees | 6,900         | 6,858         |
| Semi-skilled workers                                           | 17,021        | 16,993        |
| <b>Total</b>                                                   | <b>24,905</b> | <b>24,820</b> |

Likewise, the average number of people employed in the course of the year with a functional disability greater than or equal to 33% is 274 people (2021: 266 people).

The breakdown of the Group's staff and Board of Directors at 31<sup>st</sup> December 2022 and 2021 by women and men is as follows:

| Category                                                       | 2022         |               |               | 2021         |               |               |
|----------------------------------------------------------------|--------------|---------------|---------------|--------------|---------------|---------------|
|                                                                | Women        | Men           | Total (*)     | Women        | Men           | Total (*)     |
| Members of the Board of Directors <sup>(*)</sup>               | 5            | 9             | 14            | 5            | 8             | 13            |
| Executives                                                     | 114          | 874           | 988           | 108          | 866           | 974           |
| University graduates, specialists and administrative employees | 1,173        | 5,783         | 6,956         | 1,194        | 5,627         | 6,821         |
| Semi-skilled workers                                           | 3,307        | 13,734        | 17,041        | 3,172        | 13,504        | 16,676        |
| <b>TOTAL</b>                                                   | <b>4,599</b> | <b>20,400</b> | <b>24,999</b> | <b>4,479</b> | <b>20,005</b> | <b>24,484</b> |

(\*) As of 31<sup>st</sup> December 2022 and 2021 two of the members of the Board of Directors are also executive officers of the Group.

#### Long-term incentive

The Board of Directors of CIE Automotive, S.A. agreed in 2018 to implement a plan to allow the participation of certain Group employees in the Company's share capital, granting said employees a loan due at maturity at date of 31<sup>st</sup> December 2022, with zero interest rate. The objective of the plan is twofold: (i) to motivate, promote loyalty and encourage the most important members of the Group's management to achieve the strategic objectives for the next five years; and (ii) as a result of the commitment to the Group, to allow that the aforementioned employees benefit from any increase in the quoted price of the shares of CIE Automotive, S.A. from 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2022. These loans, which, meet the conditions to be considered as full recourse, are valued at fair value, are classified under non-current financial assets in the consolidated balance sheet and, as of 31<sup>st</sup> December 2022, amount to €15 million (2021: €20 million) (Note 9).

On December 2022, the maturity of these loans to executives has been extended for a period of 5 years, until January 2028, keeping the rest of the conditions of the plan unchanged. As of 31<sup>st</sup> December 2022, the financial assets associated with these long-term loans have been recorded at fair value, resulting in a negative impact on the financial results amounting to €2.5 million (Note 9).

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### 23. Finance income and expenses

The detail of financial income and expenses is as follows:

| Thousand euro                                             | 2022            | 2021 <sup>(*)</sup> |
|-----------------------------------------------------------|-----------------|---------------------|
| Finance costs:                                            |                 |                     |
| -Bank borrowings interest                                 | (59,972)        | (53,169)            |
| Interest income:                                          |                 |                     |
| - Other interest and finance income                       | 29,575          | 24,479              |
| Net gains/(losses) on foreign currency transactions       | 6,273           | (1,462)             |
| Net gains/(losses) on financial instruments at fair value | (12,778)        | (20)                |
| <b>TOTAL</b>                                              | <b>(36,902)</b> | <b>(30,172)</b>     |

(\*) Re-casted figures, refer to Note 3.

### 24. Income tax

The breakdown of the Group's consolidated corporate income tax expense is as follows:

| Thousand euro                                                    | 2022          | 2021 <sup>(*)</sup> |
|------------------------------------------------------------------|---------------|---------------------|
| Current year tax                                                 | 88,349        | 77,209              |
| Net variation deferred tax (Note 18) <sup>(**)</sup>             | 1,597         | 11,415              |
| <b>Total income tax expense</b>                                  | <b>89,946</b> | <b>88,624</b>       |
| Tax expense of discontinued operations (Note 13) <sup>(**)</sup> | (1,343)       | (277)               |
| <b>Tax expense</b>                                               | <b>88,603</b> | <b>88,347</b>       |

(\*) Re-casted figures, refer to Note 3.

(\*\*) It includes €241 thousand of deferred income generated by the discontinued operations in 2022 (€76 thousand of income in 2021).

Below is the reconciliation between the income tax that would result from applying the general tax rate in force in the provincial regulations of Bizkaia to the profit before tax and the expense recorded for said tax that appears in the consolidated income statement corresponding to financial years 2022 and 2021:

| Thousand euros                                                                     | Note | 2022          | 2021           |
|------------------------------------------------------------------------------------|------|---------------|----------------|
| <b>PROFIT BEFORE TAX FROM CONTINUING AND DISCONTINUED ACTIVITIES</b>               |      |               | <b>382,099</b> |
| Nominal tax rate of the Parent company                                             |      | 24%           | 24%            |
| Theoretical expense resulting from applying the nominal rate of the Parent company | -    | 103,720       | 91,704         |
| Tax rates adjustments                                                              | -    | 7,143         | 8,122          |
| Tax impact of local GAAP adjustments                                               | -    | 85            | (2,254)        |
| Permanent differences due to impairment of discontinued businesses                 | -    | -             | (3,337)        |
| Other permanent differences                                                        | -    | (17,916)      | (11,638)       |
| Net impact of tax deductions                                                       | -    | (3,464)       | (2,513)        |
| Other losses and tax credit movements                                              | 18   | (2,462)       | 1,924          |
| Recognition of temporary differences                                               | 18   | (3,065)       | (2,275)        |
| Recognition of claims in favour of public administrations                          | -    | -             | (4,930)        |
| Recognition of deferred taxes due to regulatory changes                            | 18   | -             | 16,297         |
| Tax credits generated from other operating income                                  | 18   | 734           | 812            |
| Movement of tax provisions                                                         | 18   | (436)         | (6,226)        |
| Withholding taxes and other taxes                                                  | -    | 5,750         | 3,089          |
| Other impacts                                                                      | -    | (143)         | (151)          |
| Taxes from discontinued operations                                                 | 13   | (1,343)       | (277)          |
| <b>Income tax expense</b>                                                          |      | <b>88,603</b> | <b>88,347</b>  |

The income related to the "rest of the permanent differences" in both 2022 and 2021 corresponds to the application of tax incentives on a taxable basis in different jurisdictions, mainly in the Basque regional territory, Brazil and China. In 2021, the loss recorded in 2018 in relation to the British forging business (Note 13) was deducted for tax purposes, which resulted in a tax income of €3 million.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The heading "Other losses and tax credit movements" includes activations of tax credits that are estimated to be used in the final settlement of the tax for the year 2022, as well as the derecognition of tax credits in the Basque territory in 2021.

As of 31<sup>st</sup> December 2021, the heading "Recognition of deferred taxes due to regulatory changes" fully includes the non-recurring entry of a tax liability after the modification of tax regulations in India (Note 18).

In addition, the Group registered, in 2021, a corporate tax income amounting to €4.9 million for the recognition of tax credits with Brazilian authorities. This recognition, made in accordance with IAS 12, underlies the ruling of the Brazilian Supreme Court declaring unconstitutional the incorporation into the tax base of Brazilian taxpayers of the income from default interest accrued by companies to the public authorities.

As mentioned in Note 3.3.18, some companies of the Group are authorised to file consolidated tax returns.

Generally, the Group companies have their tax returns open to inspection for the years not prescribed in accordance with the various tax laws applicable in each of the Group companies and whose period is set at 4 to 6 years from the date on which the obligation becomes due and the deadline for filing taxes expires.

The corporate income tax legislation applicable to the Parent company of the Group in 2022 is the one relating to Bizkaia Regional Regulation 11/2013 (5<sup>th</sup> December), modified by the Bizkaia Regional Regulation 2/2018, 12<sup>th</sup> March.

For the preparation of the Group's Consolidated Annual Accounts, with regard to the estimation of corporation tax, the Directors of the Parent company consider tax regulations of the different jurisdictions / tax groups in which the Group operates. Likewise, this assessment includes the possible risks associated with the divergence between the interpretation of certain tax regulations by the tax authorities and the Group; as well as, where appropriate, the resolutions of completed inspections and communications with tax authorities in tax audits that may be in progress in the different countries. As of 31<sup>st</sup> December 2022, and 2021, no additional significant impact is expected for the periods opened to tax audits.

### **25. Related-parties transactions**

The direct shareholders of the Group (including non-controlling interests), key executive managers, close relatives and those companies consolidated using the equity method are considered as related parties.

The following transactions were carried out with related parties:

#### **a) Compensation and loans to key management personnel**

As of 31<sup>st</sup> December 2022 and 2021, the Group's Senior Management was made up of 4 women and 5 men. The total compensation accrued by key management personnel in 2022 amounted to €9,956 thousand (2021: €6,152 thousand). These amounts exclude the compensation related to the members of the Board of Directors, who have been disclosed in Note 22.

As explained in Note 22, the Board of Directors of CIE Automotive agreed in 2018 to implement a plan to allow the participation of certain employees in the company's share capital. The total nominal amount of loans to members of the key management, pending collection as of 31<sup>st</sup> December 2022 is €5,967 thousand (2021: €7,149 thousand). Likewise, Senior Management personnel do not have life or civil liability insurance at the Group's expense.

The Group has entered into no commitments related to pensions or other types of complementary post-employment benefits with key management personnel.

#### **b) Parent company Directors' compensation**

Total compensation paid to the members of the Board of Directors has amounted to €8,556 thousand (2021: €11,268 thousand). The members of the Board of Directors received no compensation in respect of bonuses or profit sharing arrangements. Nor did they receive shares or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

At 2022 and 2021-year end, there is no outstanding amount arising from other transactions with these related parties.

The Group has entered into no commitments relating to pensions or other types of complementary retirement remuneration with the Directors.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

### c) Balances and transactions during the year with Group companies and related parties

| Balances in thousand euro                                    | 31.12.2022 | 31.12.2021 |
|--------------------------------------------------------------|------------|------------|
| Receivables from related parties                             | 30,009     | 40,697     |
| Payables to related parties                                  | (10,813)   | (11,461)   |
| Loans and credits from related parties                       | 2,082      | 6,428      |
| Advances to related parties                                  | 6,500      | 7,800      |
| Receivable balances with entities with significant influence | 16,800     | 16,800     |
| Payable balances with entities with significant influence    | (34,370)   | (34,370)   |
| Dividend payable                                             | (49,049)   | (44,113)   |

| Transactions in thousand euro                                | 2022    | 2021 <sup>(*)</sup> |
|--------------------------------------------------------------|---------|---------------------|
| Product sales <sup>(*)</sup> and scrap sales <sup>(**)</sup> | 330,997 | 214,018             |
| Sale of fixed assets                                         | 4,739   | -                   |
| Purchase <sup>(**)</sup>                                     | 44,521  | 32,340              |
| Services provided                                            | 2,830   | 2,496               |
| Services received                                            | 10,155  | 5,151               |
| Finance expenses                                             | 787     | 436                 |

(\*) Both product sales and purchases correspond, mainly, to commercial operations of purchase and sale of pieces with the Mahindra & Mahindra group for an amount of €225 million and €22 million as of 31st December 2022, respectively (€138 million and €19 million respectively as of 31st December 2021). In addition, assets of €4.7 million were sold to the Mahindra and Mahindra groups in 2022.

(\*\*) Sales of scrap correspond mainly to sales to companies controlled by the Gescrap group (and CIE's associated companies with Gescrap (Note 9)) amounting to €98 million as of 31st December 2022 (31st December 2021: €70 million), and are recorded under the heading "Other operating income" of the consolidated income statement. Out of these scrap sales, as of 31st December 2022 and 2021, €8 million and €7 million of scrap sales classified as discontinued activities are included, respectively.

During 2022, out of the total acquisitions to minority shareholders of Mahindra CIE Automotive, Ltd. (Note 1), €31,846 thousand have been acquired to Mahindra & Mahindra, which on the acquisition date represented 2.3% of share percentage. In addition, Mahindra & Mahindra received a dividend from the Group company Mahindra CIE Automotive, Ltd. In the 2022 financial year amounting to €1,311 thousand.

The balances and transactions as of 31<sup>st</sup> December 2022 and 2021 have been broken down according to the definition of related entities applicable to listed companies included in Law 5/2021, and whose entry in force has been made on 4<sup>th</sup> July 2021.

- Article 228 of the Spanish Companies Act

In the duty to avoid situations of conflict of interest of the Parent company, during the year 2022 the administrators who have occupied charges in the Board of Directors have complied with the obligations foreseen in the article 228 of the recasted text of the Law of Capital companies. Likewise, both managing directors and their relatives have abstained from incurring in the suppositions of conflict of interest foreseen in the article 229 of the aforementioned norm. No communication about direct or indirect conflicts of interest has been notified during the current year to the Board of Directors.

- Complementary incentive based on the value of the shares

At the General Shareholders' Meeting held on 24<sup>th</sup> April 2018, the concession was approved, for the CEO, of a long-term incentive based on the evolution of the share price of CIE Automotive, S.A., and modified by an agreement which was approved by the General Shareholders' Meeting on 5<sup>th</sup> May 2021.



## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

The incentive consists of the payment of a total extraordinary remuneration resulting from multiplying 1,450,000 rights by the increase in the value of the share price of CIE Automotive, S.A. during a maximum period of time of 9 years (reference periods), being its initial base quotation of €21.30 per share and the closing value the average of the contribution corresponding to a monthly payment within the established reference periods, in the terms approved by the General Shareholders' Meeting. In accordance with the modifications introduced at the aforementioned General Shareholders' Meeting of 5<sup>th</sup> May 2021, during the year, the CEO proceeded to partially execute the incentive, so that the amount accrued for said remuneration has amounted to €5,900 thousand. With this partial execution, the base price was set for possible subsequent years of the incentive at €25.37 per share.

In the first half year of 2022, the CEO proceeded again to partially exercise the incentive, so that the amount accrued for said remuneration rose to €2,972 thousand. With this second partial exercise, a base price has been set for possible subsequent exercises of the incentive at €27.41 per share.

### 26. Fees of main auditors and companies in their group or related companies

The fees for auditing services and other services provided in the year to the companies of the CIE Automotive Group by PricewaterhouseCoopers Auditores, S.L and the companies in its network (PwC), as well as those provided by other auditing firms, are presented below:

| Thousand euro                        | 2022         | 2021         |
|--------------------------------------|--------------|--------------|
| <b>Audit Services – Main auditor</b> | <b>1,412</b> | <b>1,471</b> |
| Spain                                | 600          | 550          |
| Rest of the countries                | 812          | 921          |
| <b>Other services</b>                | <b>519</b>   | <b>475</b>   |
| PwC                                  | 56           | 66           |
| Other companies in the PwC network   | 463          | 409          |
| <b>Total PwC</b>                     | <b>1,931</b> | <b>1,946</b> |

| Thousand euro                | 2022         | 2021       |
|------------------------------|--------------|------------|
| Audit services – Other firms | 1,093        | 793        |
| <b>Total</b>                 | <b>1,093</b> | <b>793</b> |

The section "Audit services – Main auditor" includes the fees corresponding to audit services of the individual and consolidated annual accounts of CIE Automotive and of the companies that form part of its Group.

Other services rendered by PricewaterhouseCoopers, S.L. and other firms associated to PricewaterhouseCoopers have amounted to €519 thousand (2021: €475 thousand). Other assessment services different from audit fees rendered by PricewaterhouseCoopers Auditores, S.L. have amounted to €56 thousand in 2022 (2021: €66 thousand), and correspond mainly to reports on agreed upon procedures on ratios linked to financing agreements, review of information related to the Internal Control System on Financial Reporting (SCIF), as well as verification of non-financial indicators. Likewise, fees from other companies in the PwC network as a result of tax advisory services, other verification services and other services provided to the Group, amounted to €446 thousand, €11 thousand and €6 thousand, respectively (€309 thousand, €51 thousand, €49 thousand in the previous year).

### 27. Environmental matters

The Parent company and its subsidiaries have adapted their production facilities to meet the legislative environmental requirements of the countries in which they are located.

Capital expenditure intended to make them more environmentally-friendly and to minimise their impact on the environment are capitalised in property, plant and equipment.

The expenses deriving from environmental action incurred during the year basically relate to waste removal expenses.

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 2022

---

The Group's property, plant and equipment include facilities aimed at environmental protection and improvement. This work is carried out by in-house employees and external specialist providers, as part of the strategic environmental plan implemented to minimise the environmental risks associated with its operations and improve the Group's environmental management. The combined amounts of investments and expenses accrued in 2022 in relation to environmental protection and improvement works amounted to €11.6 million (2021: €5.1 million, without any expense from discontinued activities) and are recorded under the headings of "Property, plant and equipment" on the accompanying balance sheet and "Other operating expenses" on the accompanying consolidated income statement.

### **28. Events after the balance sheet date**

On 2<sup>nd</sup> February 2023, the Group has announced the acquisition of 100% of the share capital of the company Iber-Oleff Brasil, Ltda. for €20 million approximately.

With close to 400 employees and revenue amounting to €25 million in 2022, Iber-Oleff Brazil is located in Sao Paulo, and is specialized in the manufacture of plastic components for vehicle interiors, integrating into its injection processes, welding, painting, laser and assembly.

The closing of the operation is subject to compliance with the usual conditions to which these types of transactions are subject to.

In addition to the aforementioned, at the date of preparation of these Annual Accounts, no significant subsequent event to the fiscal year 2022 has occurred which could arise on significant impacts to the financial statements of the period-ended as of 31<sup>st</sup> December 2022.

## APPENDIX TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR 2022

| Company                                                 | Parent company                      | Activity                      | Location                   | % effective                    |          |
|---------------------------------------------------------|-------------------------------------|-------------------------------|----------------------------|--------------------------------|----------|
|                                                         |                                     |                               |                            | Shareholding of CIE Automotive |          |
|                                                         |                                     |                               |                            | Direct                         | Indirect |
| <b>CIE Berriz, S.L. (*)</b>                             | CIE Automotive, S.A.                | Holding company               | Biscay                     | 100.00%                        | -        |
| CIE Udalbide, S.A.U.                                    | CIE Berriz, S.L.                    | Manufacture of auto parts     | Biscay                     | -                              | 100.00%  |
| CIE Mecauto, S.A.U.                                     | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Mecanizaciones del Sur-Mecasur, S.A.                    | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Gameko Fabricación de Componentes, S.A.                 | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Grupo Componentes Vilanova, S.L.                        | CIE Berriz, S.L.                    | Manufacture of auto parts     | Barcelona                  | -                              | 100.00%  |
| Alurecy, S.A.U.                                         | CIE Berriz, S.L.                    | Manufacture of auto parts     | Biscay                     | -                              | 100.00%  |
| Componentes de Automoción Recytec, S.L.U.               | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Componentes de Dirección Recylan, S.L.U.                | CIE Berriz, S.L.                    | Manufacture of auto parts     | Navarre                    | -                              | 100.00%  |
| Nova Recyd, S.A.U.                                      | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Recycle, S.A.U.                                         | CIE Berriz, S.L.                    | Manufacture of auto parts     | Gipuzkoa                   | -                              | 100.00%  |
| Recycle CZ, s.r.o.                                      | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Zdánice, s.r.o.                                     | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| Alcasting Legutiano, S.L.U.                             | CIE Berriz, S.L.                    | Manufacture of auto parts     | Álava/Araba                | -                              | 100.00%  |
| Egaña 2, S.L.                                           | CIE Berriz, S.L.                    | Manufacture of auto parts     | Biscay                     | -                              | 100.00%  |
| Inyectametal, S.A.                                      | CIE Berriz, S.L.                    | Manufacture of auto parts     | Biscay                     | -                              | 100.00%  |
| Orbelan Plásticos, S.A.                                 | CIE Berriz, S.L.                    | Manufacture of auto parts     | Gipuzkoa                   | -                              | 100.00%  |
| Transformaciones Metalúrgicas Norma, S.A.               | CIE Berriz, S.L.                    | Manufacture of auto parts     | Gipuzkoa                   | -                              | 100.00%  |
| Plasfil Plásticos da Figueira, S.A. (*)                 | CIE Berriz, S.L.                    | Manufacture of auto parts     | Portugal                   | -                              | 100.00%  |
| CIE Stratis-Tratamentos, Ltda.                          | Plasfil Plásticos da Figueira, S.A. | Manufacture of auto parts     | Portugal                   | -                              | 100.00%  |
| CIE Metal CZ, s.r.o.                                    | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Plasty CZ, s.r.o.                                   | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Unitools Press, a.s.                                | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Joamar, s.r.o.                                      | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Automotive Maroc, s.a.r.l. d'au                     | CIE Berriz, S.L.                    | Manufacture of auto parts     | Morocco                    | -                              | 100.00%  |
| CIE Praga Louny, a.s.                                   | CIE Berriz, S.L.                    | Manufacture of auto parts     | Czechia                    | -                              | 100.00%  |
| CIE Deutschland, GmbH                                   | CIE Berriz, S.L.                    | Facilities                    | Germany                    | -                              | 100.00%  |
| Leaz Valorización, S.L.U. (dormant)                     | CIE Berriz, S.L.                    | Waste management and recovery | Biscay                     | -                              | 100.00%  |
| CIE Compiègne, S.A.S.                                   | CIE Berriz, S.L.                    | Manufacture of auto parts     | France                     | -                              | 100.00%  |
| Biosur Transformación, S.L.U. (2)                       | CIE Berriz, S.L.                    | Biofuels                      | Huelva                     | -                              | 100.00%  |
| Biocombustibles de Guatemala, S.A. (in liquidation) (2) | CIE Berriz, S.L.                    | Biofuels                      | Guatemala                  | -                              | 51.00%   |
| Gestión de Aceites Vegetales, S.L. (*) (2)              | CIE Berriz, S.L.                    | Biofuels                      | Madrid                     | -                              | 88.73%   |
| Reciclado de Residuos Grasos, S.L.U. (2)                | Gestión de Aceites Vegetales, S.L.  | Biofuels                      | Madrid                     | -                              | 88.73%   |
| Recogida de Aceites y Grasas Maresme, S.L.U. (2)        | CIE Berriz, S.L.                    | Biofuels                      | Barcelona                  | -                              | 100.00%  |
| Denat 2007, S.L.U.                                      | CIE Berriz, S.L.                    | Manufacture of auto parts     | Pontevedra                 | -                              | 100.00%  |
| Industrias Amaya Tellería, S.A.U.                       | CIE Berriz, S.L.                    | Manufacture of auto parts     | Biscay                     | -                              | 100.00%  |
| MAR SK, s.r.o.                                          | CIE Berriz, S.L.                    | Manufacture of auto parts     | Slovakia                   | -                              | 100.00%  |
| Autocom Componentes Automotivos do Brasil Ltda.         | CIE Berriz, S.L.                    | Manufacture of auto parts     | Brazil                     | -                              | 100.00%  |
| GAT México, S.A. de C.V.                                | CIE Berriz, S.L.                    | Manufacture of auto parts     | Mexico                     | -                              | 100.00%  |
| SC CIE Matricon, S.A.                                   | CIE Berriz, S.L.                    | Manufacture of auto parts     | Romania                    | -                              | 100.00%  |
| CIE Automotive Parts (Shanghai) Co., Ltd.               | CIE Berriz, S.L.                    | Manufacture of auto parts     | People's Republic of China | -                              | 100.00%  |
| CIE Automotive Rus, LLC                                 | CIE Berriz, S.L.                    | Manufacture of auto parts     | Russia                     | -                              | 100.00%  |

## APPENDIX TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR 2022

| Company                                                                 | Parent company                           | Activity                  | Location    | % effective                    |          |
|-------------------------------------------------------------------------|------------------------------------------|---------------------------|-------------|--------------------------------|----------|
|                                                                         |                                          |                           |             | Shareholding of CIE Automotive |          |
|                                                                         |                                          |                           |             | Direct                         | Indirect |
| CIE Automotive Goiair, S.L.U.                                           | CIE Berriz, S.L.                         | Manufacture of auto parts | Álava/Araba | -                              | 100.00%  |
| Basquevolt, S.A. <sup>(1)</sup>                                         | CIE Berriz, S.L.                         | Sustainable batteries     | Álava/Araba | -                              | 16.67%   |
| Somaschini, S.P.A. <sup>(2)</sup>                                       | CIE Berriz, S.L.                         | Manufacture of auto parts | Italy       | -                              | 100.00%  |
| Somaschini Automotive, SRL <sup>(3)</sup>                               | Somaschini, SPA                          | Manufacture of auto parts | Italy       | -                              | 100.00%  |
| Somaschini International, Inc <sup>(4)</sup>                            | Somaschini Automotive, SRL               | Holding company           | USA         | -                              | 100.00%  |
| Somaschini North America, LLC                                           | Somaschini International, Inc            | Manufacture of auto parts | USA         | -                              | 100.00%  |
| Somaschini Realty, LLC                                                  | Somaschini International, Inc            | Real state                | USA         | -                              | 100.00%  |
| Autometal, Ltda. <sup>(5)</sup>                                         | CIE Berriz, S.L.                         | Manufacture of auto parts | Brazil      | -                              | 100.00%  |
| Durametal, Ltda.                                                        | Autometal, Ltda.                         | Manufacture of auto parts | Brazil      | -                              | 84.88%   |
| Autometal SBC Injeção e Pintura de Plásticos Ltda.                      | Autometal, Ltda.                         | Manufacture of auto parts | Brazil      | -                              | 100.00%  |
| Autometal Investimentos e Imóveis, Ltda. <sup>(6)</sup>                 | Autometal, Ltda.                         | Facilities                | Brazil      | -                              | 100.00%  |
| Gescrap-Autometal Comércio de Sucatas Ltda                              | Autometal Investimentos e Imóveis, Ltda. | Scrap                     | Brazil      | -                              | 30.00%   |
| Jardim Sistemas Automotivos e Industriais, Ltda.                        | Autometal, Ltda.                         | Manufacture of auto parts | Brazil      | -                              | 100.00%  |
| Metalúrgica Nakayone, Ltda.                                             | Autometal, Ltda.                         | Manufacture of auto parts | Brazil      | -                              | 100.00%  |
| Autometal Minas Cromação, Pintura e Injeção de Plásticos Ltda           | Autometal, Ltda.                         | Manufacture of auto parts | Brazil      | -                              | 100.00%  |
| CIE Automotive de México SAPI de C.V. <sup>(7)</sup>                    | CIE Berriz, S.L.                         | Holding company           | Mexico      | -                              | 100.00%  |
| Pintura y Ensamblajes de México, S.A. de C.V.                           | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| CIE Celaya, S.A.P.I. de C.V.                                            | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| Gescrap Autometal de Mexico, S.A. de C.V.                               | CIE Automotive de México SAPI de C.V.    | Scrap                     | Mexico      | -                              | 30.00%   |
| Ges Trading Nar, S.A. de C.V. <sup>(8)</sup>                            | CIE Automotive de México SAPI de C.V.    | Facilities                | Mexico      | -                              | 30.00%   |
| Pintura, Estampado y Montaje, S.A.P.I. de C.V.                          | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V. | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| CIE Berriz México Servicios Administrativos, S.A. de C.V.               | CIE Automotive de México SAPI de C.V.    | Facilities                | Mexico      | -                              | 100.00%  |
| Nugar, S.A. de C.V.                                                     | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| Maquinados de Precisión de México S. de R.L. de C.V.                    | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| CIE Plásticos México, S.A. de C.V.                                      | CIE Automotive de México SAPI de C.V.    | Manufacture of auto parts | Mexico      | -                              | 100.00%  |
| CIE Automotive USA, Inc <sup>(9)</sup>                                  | CIE Automotive de México SAPI de C.V.    | Facilities                | USA         | -                              | 100.00%  |
| CIE Investments USA, Inc                                                | CIE Automotive USA, Inc                  | Holding Company           | USA         | -                              | 100.00%  |
| Century Plastics, LLC <sup>(10)</sup>                                   | CIE Automotive USA, Inc                  | Manufacture of auto parts | USA         | -                              | 100.00%  |
| Century Plastics Real State Holdings, LLC                               | Century Plastics, LLC                    | Real state                | USA         | -                              | 100.00%  |
| Newcor, Inc <sup>(11)</sup>                                             | CIE Automotive USA, Inc                  | Holding company           | USA         | -                              | 100.00%  |
| Owosso Realty, LLC                                                      | Newcor, Inc                              | Real state                | USA         | -                              | 100.00%  |
| Corunna Realty, Corp.                                                   | Newcor, Inc                              | Real state                | USA         | -                              | 100.00%  |
| Clifford Realty, Corp.                                                  | Newcor, Inc                              | Real state                | USA         | -                              | 100.00%  |
| Machine, Tools and Gear, Inc                                            | Newcor, Inc                              | Manufacture of auto parts | USA         | -                              | 100.00%  |
| Rochester Gear, Inc                                                     | Newcor, Inc                              | Manufacture of auto parts | USA         | -                              | 100.00%  |
| Golde South Africa, LLC                                                 | CIE Automotive USA, Inc                  | Distributor company       | USA         | -                              | 100.00%  |
| Golde Auburn Hills, LLC                                                 | CIE Automotive USA, Inc                  | Manufacture of auto parts | USA         | -                              | 100.00%  |
| Participaciones Internacionales Autometal Dos, S.L.U. <sup>(12)</sup>   | CIE Berriz, S.L.                         | Holding company           | Biscay      | -                              | 100.00%  |

## APPENDIX TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR 2022

| Company                                                       | Parent company                                       | Activity                                      | Location                   | % effective                    |          |
|---------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------|----------------------------|--------------------------------|----------|
|                                                               |                                                      |                                               |                            | Shareholding of CIE Automotive |          |
|                                                               |                                                      |                                               |                            | Direct                         | Indirect |
| Mahindra CIE Automotive Ltd. <sup>(1)</sup>                   | Participaciones Internacionales Autometal Dos S.L.U. | Manufacture of auto parts                     | India                      | -                              | 65.71%   |
| Stokes Group Ltd. (in liquidation) <sup>(2)</sup>             | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | United Kingdom             | -                              | 65.71%   |
| CIE Galfor, S.A.U. <sup>(1)</sup>                             | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | Orense                     | -                              | 65.71%   |
| CIE Forging Germany, GmbH <sup>(1)(2)(4)</sup>                | CIE Galfor, S.A.U.                                   | Holding company                               | Germany                    | -                              | 65.71%   |
| Gesensschmiede Schneider GmbH <sup>(2)</sup>                  | CIE Forging Germany, GmbH                            | Manufacture of auto parts                     | Germany                    | -                              | 65.71%   |
| Jeco Jellinghaus GmbH <sup>(2)</sup>                          | CIE Forging Germany, GmbH                            | Manufacture of auto parts                     | Germany                    | -                              | 65.71%   |
| Falkenroth Umformtechnik GmbH <sup>(2)</sup>                  | CIE Forging Germany, GmbH                            | Manufacture of auto parts                     | Germany                    | -                              | 65.71%   |
| Schoneweiss & Co. GmbH <sup>(2)</sup>                         | CIE Forging Germany, GmbH                            | Manufacture of auto parts                     | Germany                    | -                              | 65.71%   |
| CIE Legazpi, S.A.U.                                           | CIE Galfor, S.A.U.                                   | Manufacture of auto parts                     | Gipuzkoa                   | -                              | 65.71%   |
| UAB CIE LT Forge                                              | CIE Galfor, S.A.U.                                   | Manufacture of auto parts                     | Lithuania                  | -                              | 65.71%   |
| Galfor Edica, S.L.                                            | CIE Galfor, S.A.U.                                   | Power generation and trade                    | Orense                     | -                              | 16.43%   |
| Metalcastello S.p.A.                                          | CIE Galfor, S.A.U.                                   | Manufacture of auto parts                     | Italy                      | -                              | 65.68%   |
| BillForge de Mexico S de RL de CV                             | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | Mexico                     | -                              | 65.71%   |
| BF Precision Pvt. Ltd.                                        | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | India                      | -                              | 65.71%   |
| Aurangabad Electricals, Ltd.                                  | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | India                      | -                              | 65.71%   |
| CIE Hosur, Ltd.                                               | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | India                      | -                              | 65.71%   |
| Ge Scrap India Pvt. Ltd.                                      | Mahindra CIE Automotive Ltd.                         | Manufacture of auto parts                     | India                      | -                              | 19.71%   |
| Clean Max Deneb Power, LLP                                    | Mahindra CIE Automotive Ltd.                         | Power generation and trade                    | India                      | -                              | 17.08%   |
| Sunbarn Renewables Pvt, Ltd.                                  | Mahindra CIE Automotive Ltd.                         | Power generation and trade                    | India                      | -                              | 17.16%   |
| Renew Surya Alok Pvt, Ltd <sup>(1)</sup>                      | Mahindra CIE Automotive Ltd.                         | Producción y comercialización de electricidad | India                      | -                              | 20.50%   |
| Strongsun Solar Pvt, Ltd <sup>(1)</sup>                       | Mahindra CIE Automotive Ltd.                         | Producción y comercialización de electricidad | India                      | -                              | 17.97%   |
| <b>Advanced Comfort Systems Ibérica, S.L.U.</b>               | CIE Automotive, S.A.                                 | Manufacture of auto parts                     | Orense                     | 100.00%                        | -        |
| <b>Advanced Comfort Systems France, S.A.S. <sup>(1)</sup></b> | CIE Automotive, S.A.                                 | Manufacture of auto parts                     | France                     | 100.00%                        | -        |
| Advanced Comfort Systems Romania, S.R.L.                      | Advanced Comfort Systems France, S.A.S.              | Manufacture of auto parts                     | Romania                    | -                              | 100.00%  |
| Advanced Comfort Systems México, S.A. de C.V.                 | Advanced Comfort Systems France, S.A.S.              | Manufacture of auto parts                     | Mexico                     | -                              | 100.00%  |
| Advanced Comfort Systems Shanghai Co. Ltd. <sup>(1)</sup>     | Advanced Comfort Systems France, S.A.S.              | Manufacture of auto parts                     | People's Republic of China | -                              | 100.00%  |
| Wuhan Advanced Comfort Systems Co. Ltd.                       | Advanced Comfort Systems Shanghai Co. Ltd.           | Manufacture of auto parts                     | People's Republic of China | -                              | 100.00%  |
| <b>Autokomp Ingeniería, S.A.U. <sup>(1)</sup></b>             | CIE Automotive, S.A.                                 | Facilities                                    | Biscay                     | 100.00%                        | -        |
| Forjas de Celaya, S.A. de C.V.                                | Autokomp Ingeniería, S.A.U.                          | Manufacture of auto parts                     | México                     | -                              | 100.00%  |
| Nanjing Automotive Forging Co., Ltd.                          | Autokomp Ingeniería, S.A.U.                          | Manufacture of auto parts                     | People's Republic of China | -                              | 50.00%   |
| CIE Forjas Minas, Ltda. <sup>(1)(7)</sup>                     | Autokomp Ingeniería, S.A.U.                          | Holding company                               | Brazil                     | -                              | 100.00%  |
| Autoforjas, Ltda.                                             | CIE Forjas Minas, Ltda.                              | Manufacture of auto parts                     | Brazil                     | -                              | 100.00%  |
| <b>CIE Automotive Boroa, S.L.U.</b>                           | CIE Automotive, S.A.                                 | Financing                                     | Biscay                     | 100.00%                        | -        |
| <b>CIE Automotive Roof Systems Korea, Ltd.</b>                | CIE Automotive, S.A.                                 | Manufacture of auto parts                     | Korea                      | 100.00%                        | -        |
| <b>CIE Roof Systems, S.L.U. <sup>(1)(5)</sup></b>             | CIE Automotive, S.A.                                 | Holding company                               | Biscay                     | 100.00%                        | -        |

## APPENDIX TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR 2022

| Company                                                  | Parent company                            | Activity                  | Location                   | % effective                    |          |
|----------------------------------------------------------|-------------------------------------------|---------------------------|----------------------------|--------------------------------|----------|
|                                                          |                                           |                           |                            | Shareholding of CIE Automotive |          |
|                                                          |                                           |                           |                            | Direct                         | Indirect |
| Golde Tianjin Co., Ltd.                                  | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | People's Republic of China | -                              | 100.00%  |
| Golde Wuhan Co., Ltd.                                    | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | People's Republic of China | -                              | 100.00%  |
| Golde Shandong Co., Ltd.                                 | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | People's Republic of China | -                              | 100.00%  |
| CIE Golde Holding, S.L.U. <sup>(*)</sup> (6)             | CIE Roof Systems, S.L.U.                  | Holding company           | Biscay                     | -                              | 100.00%  |
| Inteva Products (Barbados), Ltd. (in liquidation)        | CIE Golde Holding, S.L.U.                 | Holding company           | Barbados                   | -                              | 100.00%  |
| Golde Shanghai Co., Ltd.                                 | CIE Golde Holding, S.L.U.                 | Manufacture of auto parts | People's Republic of China | -                              | 100.00%  |
| Golde Changchun Co., Ltd.                                | CIE Golde Holding, S.L.U.                 | Manufacture of auto parts | People's Republic of China | -                              | 100.00%  |
| CIE Golde Shanghai Innovation Co., Ltd.                  | CIE Golde Holding, S.L.U.                 | Technology center         | People's Republic of China | -                              | 100.00%  |
| Golde Netherlands, BV <sup>(*)</sup>                     | CIE Roof Systems, S.L.U.                  | Holding company           | The Netherlands            | -                              | 100.00%  |
| Golde Mexico Holdings, LLC <sup>(*)</sup>                | Golde Netherlands, BV                     | Holding company           | USA                        | -                              | 100.00%  |
| Automotive Mexico Body Systems, S. de R.L. de C.V.       | Golde Mexico Holdings, LLC                | Manufacture of auto parts | Mexico                     | -                              | 100.00%  |
| Golde Bengaluru India Pvt Ltd.                           | CIE Roof Systems, S.L.U.                  | Technology center         | India                      | -                              | 100.00%  |
| Roof Systems Germany, GmbH                               | CIE Roof Systems, S.L.U.                  | Technology center         | Germany                    | -                              | 100.00%  |
| Golde Oradea, SRL                                        | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | Romania                    | -                              | 100.00%  |
| Golde Lozorno, Spol, s.r.o.                              | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | Slovakia                   | -                              | 100.00%  |
| SIR S.A.S.                                               | CIE Roof Systems, S.L.U.                  | Holding company           | France                     | -                              | 100.00%  |
| Shanghai Golde Automotive Parts Co., Ltd. <sup>(*)</sup> | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | People's Republic of China | -                              | 50.00%   |
| Golde Automotive Parts (Ningde) Co., Ltd.                | Shanghai Golde Automotive Parts Co., Ltd. | Manufacture of auto parts | People's Republic of China | -                              | 50.00%   |
| Golde Pune Automotive India Private, Ltd.                | CIE Roof Systems, S.L.U.                  | Manufacture of auto parts | India                      | -                              | 100.00%  |

- (1) Companies added to consolidation scope in 2022 together with their subsidiaries.  
 (2) Discontinued companies at 31<sup>st</sup> December 2022  
 (3) Name change in 2022 from de Gescrap Autometal Mexico Servicios, S.A. de C.V. to Ges Trading Nar, S.A. de C.V.  
 (4) Name change in 2022 from Mahindra Forgings Europe, AG to CIE Forging Germany, GmbH  
 (5) Merged in 2022 with Golde Holdings, BV  
 (6) Name change in 2022 from Golde USA, LLC to CIE Golde Holding, S.L.U and migrated to Biscay  
 (7) Name change in 2022 from Componentes Automotivos Taubaté, Ltda. to CIE Forjas Minas, Ltda.  
 (\*) Parent company of all investees listed subsequently in the table.



**Grupo CIE Automotive**  
**CONSOLIDATED MANAGEMENT REPORT**



***MANAGING HIGH VALUE  
ADDED PROCESSES***

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

### 1. CIE AUTOMOTIVE GROUP

This management report has been prepared following the guidelines of the "Guide to recommendations for the preparation of management reports for listed entities", published by the CNMV in July 2013.

#### 1.1 Profile of the Group

CIE Automotive (from now on, "CIE" or "The Group", interchangeably) is an industrial group specialist in high value-added processes, which develops its activity in the Automotive components business.

The business of Automotive components, which encompasses the design, production and distribution of integral services, components and sub-assemblies for the global automotive market, is CIE Automotive's main activity since its foundation.

CIE Automotive is an international industrial group that manages high added value processes. This concept of high value is applied in management, with a comprehensive vision in all phases of the value chain of sectors with good long-term projection.

CIE Automotive designs and manufactures components and subassemblies globally in 113 production centres. It owns plants in 109 different locations, which are spread over 16 countries on 4 continents, multi-location being the option chosen for the internationalization process, based on decentralized management and led by local teams.

#### 1.2 Business units – auto parts

CIE is a comprehensive services supplier, components and sub-assemblies for the Automotive market.

It develops its entire line of products through seven basic processes or technologies: machining, stamping and tube forming, forging, plastic, aluminium injection, steel casting and ceiling systems. With them, components and subassemblies are manufactured for all parts of a vehicle, such as: engine and transmission, chassis and steering assemblies, and exterior and interior of the vehicle.

For 25 years, after its creation in 1996 and integrating more than a hundred companies, CIE Automotive's progress as a components and sub-assemblies supplier for the Automotive industry has been driven by cycles of economic prosperity and hampered by others of crisis, which the Group has overcome and avoided as a result of the features that define its business model: geographical balance, commercial diversification, multi-technology, investment discipline and decentralized management and integration of ESG standards.

#### 1.3 Mission, Vision, and Values

##### Mission

CIE Automotive is a supplier of components, assemblies and sub-assemblies to the global Automotive market, global supplier with presence in 4 continents and multi-technological for its action based on the use of 7 technologies, complementary and various associated processes as well as with an integrated vision of the entire value chain.

We are a team committed to an automotive project that grows steadily and profitably with the aim of positioning ourselves as a benchmark partner by meeting our customers' needs through innovative, competitive, end-to-end, high value-added solutions.

We seek excellence adding value to our stakeholders through the following commitments:

- Continuous improvement of processes and efficient management guaranteeing quality and service.
- Encouraging participation, involvement and motivated teamwork in a pleasant, safe work environment.
- Transparency and integrity in everything we do.
- Respect for the environment and a commitment to improving our environmental record.



## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

### **Vision**

We aspire to being a benchmark industrial group specialised in managing highly value-added processes supplying the best solutions for the mobility of the future. Moreover, we strive to be the paradigm of a socially-responsible company through our permanent commitment and our responsibility with the consequences and impacts derived from our actions to:

- People and their fundamental rights.
- The climate change, fostering initiatives which translate into greater environmental responsibility.
- Value creation.
- Stakeholder collaboration.
- Management excellence.

We aim to be a reference:

- In the value chain for our Environmental, Social and Governance commitment (ESG).
- In eco-innovation and eco-design.
- In quality and service.

### **Values**

Honesty, fairness and integrity are the basis of all our values

At CIE Automotive we attach importance to people, their families and their environment.

- Respecting their fundamental rights and promoting equality.
- Providing them with fair and safe working conditions.
- Fostering their initiative, creativity and originality, their engagement and teamwork, their ability to achieve objectives and add value and their openness to change and continuous improvement.

At CIE Automotive we give importance to and act in favor of climate change:

- Taking a preventative approach.
- Promoting the circular economy to minimise any adverse impact.
- Promoting the efficient use of natural resources.

At CIE Automotive we attach importance to transparency in management:

- Promoting responsibility, integrity and commitment to a job well done.
- Disclosing in a clear manner all information of relevance to our activities so that it is known and understood.

At CIE Automotive we attach importance to our stakeholders:

- Promoting honest relations through active listening.
- Respecting their rights.

At CIE Automotive we attach importance to compliance by respecting national and international regulations.

### **Corporate policies**

The company promotes the creation of working teams to develop specific aspects of its Corporate Governance System in where authorised representatives of the interest group affected in each case, professionals of the Company and experts external in the matter of the highest level participate.

To develop its mission and advance on its vision, CIE Automotive guides its actions in accordance with its corporate values, based on which it has created a series of Corporate Policies, mandatory for all members of the organisation, approved for the first time by the Board of Directors in December 2015 and which have since been reviewed, updated and approved again, mostly between 2019 and February 2021.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

The ethical framework is developed in this series of corporate policies prepared by each of the responsible departments, being mandatory for all members of the company and which are structured into:

### Environmental, Social and Governance Policies (ESG)

- Environmental, Social and Good Governance (ESG)
- Purchasing
- Supplier ESG commitment
- Human rights
- Anti-corruption and anti-fraud
- Community work

### Governance policies

- Internal control over financial reporting (ICFR)
- Risk control and management
- Corporate governance
- Director remuneration
- Tax policy
- Reporting to and communicating with shareholders and the market
- Shareholder remuneration policy
- Director selection and board diversity policy
- Recruitment and account auditor's relations policy
- Compliance and prevention of criminal risk policy

## **2. BUSINESS AND FINANCIAL PERFORMANCE FOR THE YEAR**

### **2.1 Summary of the year**

#### **Economic context**

This very year 2022 has been affected once again by a very complex health, macroeconomic and sectoral situation, worsened by the Russian invasion of Ukraine in February 2022. At the sectoral level, automotive companies continue to face complications that are already being overcome, but aggravated in this economic and social context: increase in energy prices, disruptions due to the lack of semiconductors, scarcity and increase in the cost of essential materials for the manufacture of vehicles and increase in labour costs.

Additionally, demand is being impacted by uncertainty about the future of the global economy, inflation and the rise in interest rates for the purchase of vehicles. As a result, the global industry has not been able to replenish expected pre-pandemic production levels.

Thus, the automotive sector has maintained production and sales low, closing the year with 82 million vehicles manufactured, 6.7% more than in 2021 (7.4% less than in 2019, this being the last pre-covid year), and lower demand with global sales below 79 million vehicles, 2% less than in 2021 (12.5% less than 2019).

Although the geopolitical framework derived from the Russian invasion of Ukraine and the possible global recession have conditioned the evolution of the global automotive sector in 2022, it has impacted differently in the automotive markets. Europe and, to a lesser extent, the United States have been mainly affected by inflationary tensions and economic uncertainty, while other regions such as China, Brazil or India have been able to recover growth after overcoming new interruptions in activity due to the effects of COVID-19 in the first half of the year.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

Europe has been the weakest performer for the automotive industry with production dropping by 1.3% to 15.4 million vehicles produced. The conflict in the Ukraine has skyrocketed the costs of energy, transport and inputs, this coupled with the shortage of semiconductors and the stoppage of Russian plants, has caused a sharp contraction in manufacturing.

Vehicle production grew in the United States and Mexico by 13.1%, to 13.8 million vehicles produced. However, despite strong demand, high prices and the level of inventories, vehicle manufacturing is still not at pre-pandemic levels.

In the case of Brazil, the market has shown a sequential month-on-month improvement, closing the year with 2.2 million vehicles produced, 5.1% more than last year, although still 22% below pre-pandemic volumes.

On the other side of the Earth, the Indian vehicle manufacturing activity has increased by 23.5% in 2022, to 5.1 million, which places it as the fourth world producer of automobiles. These data are especially remarkable considering that the Indian market already reached pre-covid levels in 2021. The keys to this notable rise are the combination of a very low level of motorization, an incipient and growing middle class, a strong post-pandemic dammed demand and a more standardized offer, with fewer disruptions in the supply chain.

China has maintained growth of 6.3% despite the confinements decreed during the year due to its COVID 0 policy. The automotive sector, which had already recovered pre-pandemic levels in 2021, did not suffer from the bottlenecks of other geographies and, in addition, it was helped by the incentives for the purchase of automobiles decreed by the Government to revitalize a critical sector in the country's economy.

### **Performance of the Group**

The year 2022 has been a record year for CIE Automotive. Despite the difficulties in the automotive sector, still fragile due to the consequences of COVID-19, to which factors such as the impact of the rise in inflation on the costs of raw materials and energy or the escalation of interest rates, CIE Automotive has broken its all-time record for revenue and profits in 2022.

In this complex environment, revenue reached €3,838.6 million, 24.1% above those of 2021 and the net result has risen 12.2% compared to the previous year to exceed €300 million, all this with the achievement of healthy operating margins even in the scenario of the increase in the cost of inputs and the energy crisis, demonstrating the solidity of the business model and the success of the operating strategy in progress.

All lines of the income statement reveal the good progress of the business. Thus, the gross operating result (EBITDA) rose by 12.1%, to reach €633.4 million, while the net result (EBIT) rose by 11.2%, to €446.7 million.

In December 2022, CIE Automotive's Board of Directors approved the strategic decision to discontinue forging activities in Germany with an eye toward the future. This business was integrated in 2013, within the framework of the alliance with Mahindra&Mahindra; and has been achieving satisfactory results in this period and in continuous improvement of its performance. Its focus on the European truck market and the current energy situation, especially gas in Germany, and given that said business is not CIE Automotive's core-business for these reasons; they have motivated the divestment decision with the objective of redirecting financial and management resources to businesses with a higher return; including other geographies with greater growth potential and other technologies with greater demand from our customers in the context of the industry's mega-trends (decarbonization, lightening the car, comfort...).

Thus, it should be noted that, in accordance with accounting regulations, and following the decision to put the German forging business up for sale, all the companies in the business CIE Forging Germany GmbH and its subsidiaries to interrupted activities, therefore, for comparability purposes, the evolutions are presented in the corresponding lines considering said interruption.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

The strong dynamism of revenue, 10.2 points above market growth, and the maintenance of margins would be largely due to the absorption of market share from smaller competitors, who have been able to overcome the difficulties of the environment. Apart from the consolidation of the market, several factors would explain the good results: the repercussion of a large part of the increase in inputs on customers, thanks to the incorporation of pass-through clauses in the contracts; the commitment to local supply to avoid transport costs and logistical problems; the increase in efficiency in processes, with very low consumption in manufacturing; the strict control of investments in maintenance and capacity, and decentralized management.

This year 2022, all the geographical areas and divisions have contributed to the good results of the group, with double-digit margins, despite the difficult situation. By geographies, the summary for the year 2022 is as follows:

### Europe:

It is the main market for CIE Automotive with a presence in Spain, France, Germany, Italy, Portugal and the United Kingdom in Western Europe and the Czech Republic, Lithuania, Romania, Slovakia and Russia in Central and Eastern Europe. It also has a plant in Morocco. In this market, it brings together the production plants of the MCIE group, with a strong link to the industrial vehicle, and discontinued in this financial year 2022, and the historical plants of CIE, linked to the passenger vehicle.

Sales of CIE Automotive in Europe stand at €1,308.7 million, a figure that represents an increase of 18.9% compared to 2021, excluding discontinued German forges in both years, quite an achievement given the decline in the market caused due to the war context, which has affected the rise in energy and transport prices and caused interruptions in vehicle production due to the closure of the Ukrainian wiring factories, and the persistence of the semiconductor chip crisis. The evolution is even more outstanding, if one also takes into account that Europe includes the Aluminum divisions, the most energy-intensive, and the Machining, Forging and Plastic divisions.

Despite this difficult situation, margins have remained in double digits, thanks to the inclusion of raw material pass-through clauses in the contracts and the negotiation to pass on the increase in energy costs to customers. All segments have benefited from the consolidation of the components sector in the face of the disappearance of the most fragile suppliers, without being oblivious to the effects of the war and the uncertainty caused by a possible recession and a rise in interest rates among the possible vehicle buyers.

The traditional market plants achieve an EBITDA of 13.1% and an EBIT of 5.7%, while those of Mahindra CIE without considering the German forges present an EBITDA margin of 14.6% and an EBIT margin of 11.3 %.

### North America:

CIE Automotive has production centres in both Mexico and the US, which serve the North American light vehicle market and, to a lesser extent, Brazil, Europe and Asia.

In 2022, the North American plants reach a turnover of €1,139.6 million, 30.6% more than in 2021. The good results are more notable given the increase in labour costs and the lack of personnel qualified staff available, which has led CIE Automotive to increase the automation of its plants. The efficiency measures adopted at CIE's plants in Mexico and the United States have been key to raising CIE Automotive's margins, which remain at levels similar to those prior to the pandemic, despite the fact that sales continue to be weighed down by weakness demand and supply bottlenecks (EBITDA margin 18.6% and EBIT 14.1%).

### Brazil:

CIE Automotive's Brazilian plants focus on the manufacture of plastic components, stamping, forging, iron casting, aluminium injection, and machining, being especially competitive in plastic technology, body-colour painting, and chrome plating.

In 2022, CIE Automotive records sales of €311.2 million in Brazil, 44.1% more than in 2022, with an EBITDA margin of 18.7% and EBIT of 14.9%, facing a complex situation (unemployment, interest rate growth, political instability...), in which the demand for SUVs and pickups has remained strong, implying long waiting lists.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

### Asia:

The Group has several plants in Asia, a joint venture and a technology centre. Its presence in India comes from the alliance with the Indian group Mahindra & Mahindra Ltd., while its presence in China was strengthened with the incorporation of companies from Golde's sunroof business. India is one of the development engines of the region and China, the world's leading car producer.

In India, CIE Automotive has billed €634.3 million in 2022 (36.8% more) while maintaining high operating margins (EBITDA 16.3% and EBIT 12.4%). The company has been able to take advantage of the strength of the demand, reactivated after the semiconductor crisis, and driven by the Hindu festivals after two years without being celebrated. The excellent margins would also be related to the measures adopted to improve efficiency.

In China, CIE Automotive's sales grew by 1.1% to €444.8 million, with high EBITDA (18.7%) and EBIT (15.1%) margins, in a market with solid growth but still weak due to the COVID 0 policy, thanks in part to vehicle purchase incentives. Despite the company's good results, its behaviour has been less dynamic than that of the market, due to less exposure to Chinese OEMs, which are driving the market.

### Financial indicators of the consolidated group

| (Thousand euro)                              | 2022      | 2021      |
|----------------------------------------------|-----------|-----------|
| Consolidated revenue                         | 3,838,606 | 3,093,290 |
| Gross operating profit/(loss)-EBITDA         | 633,372   | 565,010   |
| Profit/(loss) attributable to Parent company | 300,120   | 267,544   |
| Total Equity                                 | 1,504,649 | 1,367,622 |
| Net financial debt                           | 1,289,798 | 1,394,930 |

In 2022 CIE Automotive has reclassified the net assets of the German forging business of the Mahindra CIE Europe segment after meeting the conditions to be considered as a group of assets and liabilities held for sale, reclassifying its result after tax as a result of discontinued operations. Comparative information relating to 2021 has been restated for comparability reasons.

The disclosure of this performance by operating segments is as follows:

| Thousand euro | 31 December 2022 |               |                |                     |                |                  | 31 December 2021 |               |                |                     |                |                  |
|---------------|------------------|---------------|----------------|---------------------|----------------|------------------|------------------|---------------|----------------|---------------------|----------------|------------------|
|               | NORTH AMERICA    | BRAZIL        | ASIA           | MAHINDRA CIE EUROPE | REST OF EUROPE | TOTAL            | NORTH AMERICA    | BRAZIL        | ASIA           | MAHINDRA CIE EUROPE | REST OF EUROPE | TOTAL            |
| Revenue       | 1,139,615        | 311,155       | 1,079,150      | 353,203             | 955,483        | <b>3,838,606</b> | 872,591          | 215,927       | 903,756        | 263,887             | 837,129        | <b>3,093,290</b> |
| EBITDA        | <b>212,342</b>   | <b>58,079</b> | <b>186,151</b> | <b>51,522</b>       | <b>125,278</b> | <b>633,372</b>   | <b>194,651</b>   | <b>45,343</b> | <b>144,137</b> | <b>46,328</b>       | <b>134,551</b> | <b>565,010</b>   |

### SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On 2<sup>nd</sup> February 2023, the Group has announced the acquisition of 100% of the share capital of the company Iber-Oleff Brasil, Ltda. for €20 million approximately.

With close to 400 employees and revenue amounting to €25 million in 2022, Iber-Oleff Brasil is located in Sao Paulo, and is specialized in the manufacture of plastic components for vehicle interiors, integrating into its injection processes, welding, painting, laser and assembly.

The closing of the operation is subject to compliance with the usual conditions to which these types of transactions are subject to.

## 2.2 Predictable evolution of the Group

### Market environment

According to the World Economic Outlook recently released by the World Bank, global growth will slow to 1.7% in 2023. This slowdown is partly due to restrictive policies aimed at curbing high inflation.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

In the automotive sector, by 2023 a progressive increase in vehicle production is expected from low levels, thanks to the gradual normalization of the shortage of semiconductors and other materials, and to different growth factors in each region. Thus, experts expect global production to be around 85.1 million vehicles, which would mean a 3.3% rise.

### Trends in the Automotive industry

In a context of transformation of the sector, which affects both demand and supply, in a dynamic scenario, the players in the Automotive sector are facing the main trends that will define the evolution of the motor industry in the coming years.

- 1- Climate change: Is the main threat to the planet and has led to the development of regulations that are accelerating and becoming increasingly ambitious and global, translating into the automotive sector in electrification as alternative energy and the reduction of the corporate environmental footprint.
- 2- Demographic developments: The distribution of the world population with greater weight in Asia (60%) and greater growth in Africa defines where the Automotive market should be driven in the coming years. In addition, other demographic factors converge that will promote changes in the automotive sector and its demand, such as the increase in life expectancy and the aging of the population or its growing urbanization, with various mobility options coexisting in large cities, with car sharing as an alternative. Although the number of vehicles could decrease, there would be a shorter useful life, with higher vehicle turnover. Therefore, it is expected that the total number of vehicles produced will maintain a trend similar to the current one.
- 3- Technology developments: We are moving towards a third industrial revolution where the best and most efficient vehicle architectures will prevail, where the use of the correct material will be decisive. The application of various technologies in the automotive sector will be decisive in this new generation.
- 4- Geopolitical developments: Strong growth is expected in the coming years in emerging markets without protectionist strategies having a significant impact on the automotive sector.
- 5- Sector changes: In addition to the challenge of advancing towards the electrification of the automobile for the decarbonization of the mobility system and curb climate change, the user experience with a commitment to comfort continues to be critical in the mega trends of the sector, mainly represented by the incorporation of roof systems, the safety and protection of passengers and the autonomy and connectivity of automobiles.
- 6- Changes in the supply chain: The car manufactures are concentrating on their core competencies and expanding production outsourcing to their suppliers. In addition, it is expected that in the coming years the digital company will be increasingly implanted in the automotive industry.
- 7- Changes in the ESG context: Transverse trend to all sectors of the economy with application of the Sustainable Development Goals (SDG) which, in the case of the automobile industry, focus on the decarbonization of transport, the protection of the environment and the progress of society.
- 8- Changes in the relevance of the user experience: Innovation is essential in commercial activity in order to offer customers the products and services that best suit their needs. Thus, in 2022, CIE Automotive has worked on new initiatives to improve the user experience. Additionally, one of the fundamental aspects when analysing industry megatrends is the importance of the customer. The user has changed his priorities when buying a vehicle and comfort is now a key priority in the decision to buy a car by consumers. Thus, customers increasingly demand aspects of vehicles that have to do with driving assistance, space comfort or intelligent infrastructure, to the detriment of others such as power, aerodynamics, or exterior design. One of the most important comfort elements is the roof system, whose penetration ratio is growing faster than the general automotive market.

### **2.3 Business Strategy**

In 2021, CIE began rolling out its 2025 Strategic Plan, a new comprehensive strategy to respond to automotive market trends and stakeholder concerns, and which sets the objectives to be followed in all aspects of its activity.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

This 2025 Strategic Plan establishes for the first time a series of global commitments in Environmental, Social and Good Governance matters, to which all the Group's plants must contribute under the encouragement and supervision of the corporate cross-sectional areas.

For the coming years, and supported by this 2025 Strategic Plan, CIE has a project underway to advance sustainable profitability. The objectives set and financial commitments of this strategic plan are described below and take into account the evolution of the main trends in the automotive market.

The main lines of this plan are:

- Strategic operational plan. The commitments of the new strategic plan seek to turn CIE into a group with €1,000 million in EBITDA and €500 million in net income, with an investment of €1,500 million in inorganic growth without exceeding twice its net financial debt/EBITDA ratio.

The operational strategy will revolve around the following lines of work:

- o Electrification: The obvious trend towards electric cars has led CIE Automotive to increase its presence in electrified powertrains in order to position itself in the market with new components with high added value, mainly related to the engine and power electronics, gearboxes and batteries. Likewise, this objective that the Group sets is directly related to the mitigation of environmental impact and is part of the path to follow to help minimize its impact on climate change.
  - o Industry 4.0: CIE Automotive, in its search for intelligent manufacturing, develops and implements different industry 4.0 tools, which interact and provide feedback to each other, as well as sensitization capabilities, which allow it to capture data and analyse it through algorithms. This will result in an increase in the efficiency of the processes, reducing the use of resources and their environmental impact, achieving everything from a reduction in the number of prototypes to be made, energy consumption and raw materials, to the rejection and generation of scrap.
  - o Comfort: CIE Automotive's roof division works in a growing market, supported by the development of electric and autonomous driving.
  - o Internationalization: Throughout its history, CIE Automotive has expanded its geographical locations to become a leading global supplier in all the regions in which it operates and each of the automotive markets. This geographical positioning is a guarantee for success and will continue to strengthen day by day, with an increasingly balanced presence between the different regions, gaining weight in areas with the greatest growth potential such as China, India, Mexico or Brazil. The company has a global technological vision, but adapts the specific strategy of each of its divisions to the different geographical areas, depending on the reality of the different markets.
- The ESG 2025 Strategic Plan, published in November 2021, represents the successful integration of Environmental, Social and Good Governance aspects into CIE's strategy. Four lines of work are defined across the organization:
    - o CIE Culture: Identify, promote, retain and attract talent through collaboration with universities and training centres in the area in new technologies. Actively participating in the planning and supervision of DUAL training challenges.
    - o Ethical commitment: Respect, compliance and development of the ethical framework. Alignment of their actions with the CIE Automotive Code of Conduct and application of equivalent ethical standards, including Anti-Corruption, Bribery and Conflicts of Interest.
    - o Eco-efficiency: Efficiency in production and improvement of environmental impact. The efficient use of materials has been the basis of CIE Automotive's sustainability and competitiveness for years. For this reason, the initiatives to improve the ratios of raw material use compared to the final weight of the product and the weight reduction of the components are core projects year after year of the technological road map.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

- Active listening: Proactivity and continuous communication with our stakeholders in order to meet their expectations.

Based on the foregoing, CIE Automotive expects to continue in 2023 with the growth path of its results, as it has done year after year since its creation.

### 3. RISK MANAGEMENT

CIE Automotive has a Risk management System, which allows them to identify, evaluate and give response to eventual contingencies in the development of its activity, which, in case of materializing, might hinder the attainment of the corporate objectives.

This policy, whose supervision relapses into the Commission of Audit and Compliance, identifies the different types of risks that the company faces –between them, the financials or economics, the contingent liabilities and other risks out of the balance sheet–, fixes the level of risks that are considered acceptable and establishes the opportune measures to mitigate its impact in case it was materialized. To put it into practice, the company possesses informational systems and internal control.

The procedure of global management of CIE Automotive's risks is based on the methodology ISO 31000, a process of constant cycle in nine phases: communication, setting the context, risks identification, risk analysis, risk evaluation, risk treatment, risk supervision, updating and acting against non-compliance.

Annually, a Corporate Map of Risks is drawn, which contemplates and values not only the risks inherent to the countries, markets and businesses where it operates, also internal operation of the company.

#### **Risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and raw material price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Management, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

#### **a) Market risk**

##### **(i) Foreign exchange risk**

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection/payment flows in a currency other than the euro expected to materialise over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope would also apply to management if are expected to be recognised on the balance sheet within a period of no more than 18 months.



## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

Once defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Current forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The protection against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at 31<sup>st</sup> December 2022, the euro had been devalued/revalued by 10% with respect to all other functional currencies other than euro, all other variables remaining constant, equity would have increased/decreased by €287/€235 million (2021: increased/decreased by €268/€220 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had devalued/revalued by 10% in 2021 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €24.2/€19.8 million higher/lower, respectively (2021: €23.2/€19.0 million higher/lower, mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro).

If as of 31<sup>st</sup> December 2022, the euro had been devalued/revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the parent would have varied according to the following table:

|                | Equity<br>(Million euros) |                   | Profit after tax<br>(Million euros) |                   |
|----------------|---------------------------|-------------------|-------------------------------------|-------------------|
|                | Devalued euro 10%         | Revalued euro 10% | Devalued euro 10%                   | Revalued euro 10% |
| Chinese yuan   | 89                        | (73)              | 6.2                                 | (5.0)             |
| US dollar      | 79                        | (65)              | 10.2                                | (8.4)             |
| Indian rupee   | 61                        | (50)              | 4.3                                 | (3.5)             |
| Brazilian real | 38                        | (31)              | 4.5                                 | (3.7)             |

### (ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

### (iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group converts the benchmarked floating interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2022 the average interest rate on borrowings denominated in euro had been 100 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €12,100 thousand lower/higher (2021: €14,646 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

As of 31<sup>st</sup> December 2021, the Group had no interest rate hedging derivatives. As of 31<sup>st</sup> December 2022, in relation to the valuation of the derivatives, a 10-basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have decreased equity by €23/€86 thousand.

### **b) Liquidity risk**

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards).

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The Group's treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2022 will allow facing recurrent payments without increasing net financial debt.

The Group's treasury department monitors Group's liquidity needs forecasts in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities (Note 15).

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

Amounts payable to credit institutions in the short term include recurring loans over time amounting to €36.0 million with financial institutions used for the management of operating working capital (€4.6 million as of 31<sup>st</sup> December 2021). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt. Noteworthy is the existence at 31<sup>st</sup> December 2022 of €677 million of undrawn credit lines and loans (31<sup>st</sup> December 2021: €725 million).

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

Meanwhile, the Group's Management efficiently controls the payments for expenses and realization of current assets, carrying out an exhaustive follow-up of the treasury forecasts, in order to ensure that it has sufficient cash to meet the needs. operations while maintaining the availability of sufficient unused credit facilities at all times so that the Group does not breach the limits or indices ("covenants") established by the financing. Therefore, it is estimated that the generation of cash in 2022 will sufficiently cover the needs to meet the commitments in the short term, preventing any situation of tension in the cash position with the actions underway.

In the context of current macroeconomic and sectoral risks, the Group has estimated that the existing liquidity reserve as of 31<sup>st</sup> December 2022 is more than sufficient to meet future payment needs.

As a consequence of the above, it can be confirmed that there are no risks in the Group's liquidity situation.

### **c) Credit risk**

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary.

In addition, each management unit has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss in accordance with what is described in Note 3.3.9.

An analysis of the maturity of receivables that are overdue by 60 days which are not impaired is provided in Note 10.

According to the entry into force of IFRS 9 of Financial Instruments, the Group has proceeded to estimate the expected loss in its commercial accounts receivable (Note 3.3.9).

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

### **d) Raw material price risk**

The Group has not a significant risk in raw price variations. In these companies where the risk could exist in market specific situations (plants which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

### **e) Climate risk factors**

Recent years have highlighted the risks underlying climate change, and the potential impact they may have on financial statements.

The Corporate Department of Environment is responsible for establishing the guidelines and coordinating the actions of the Environmental Plan for plants, gradually integrating environmental criteria in the management of all processes, in its attempt to reduce their impacts on the environment.

In this sense, the Group had updated its Environment Policy in 2021, where it was recognized as aligned with the Sustainable Development Goals. Thus, the Group develops products and processes under eco-design concepts, oriented to efficiency, providing necessary resources in continuous improvement through prevention and preservation, the minimization of risks, the reduction of the environmental footprint, the efficient use of natural resources, the minimization of waste, the circularity of materials and the collaboration of the people involved in the processes. Moreover, the Group is aligned with the United Nations 2030 Agenda by establishing environmental objectives to be met by each of the plants and regions where it operates, based on the *Global Reporting Initiative* standards.

Additionally, in December 2022, the Board of Directors of the parent company took another step in its environmental strategy by approving a new roadmap that establishes new medium- and long-term objectives, consistent with what scientific experts and the Paris agreements dictate, and limiting global warming to 1.5°C above pre-industrial levels. Thus, the climate emergency has led the Group to continue strengthening its commitment to climate neutrality by joining the SBTi initiative and setting the clear objective of achieving emissions neutrality no later than 2050.

Below are the action plans established to address each of the climate-related risks that have an impact on the Group's Consolidated Annual Accounts.

#### The risks arising from the transition to low-carbon economies

The authorities and governments of different countries have implemented policies to fight against climate change that have affected differently in the different countries where the Group operates. Some of these policies have consisted of promoting sustainable energy consumption in industrial production through fiscal and operational incentives, while in other cases, the use of energies that have a direct impact on the climate has been penalized or stopped.

Regarding the automotive industry, it has been possible to reduce polluting emissions from vehicles, although the latest regulations to fight climate change – the most restrictive in Europe and China – are forcing manufacturers and their suppliers to implement additional solutions to reduce their environmental footprint. In recent years, the Group has been adapting its production process as well as the goods produced to a changing environment, demonstrating its ability to be prepared for the challenges offered by climate change risk.

The Group aims to anticipate the aforementioned measures, having launched certain action plans that allow mitigating in advance the impact of new policies, regulations and trends that climate change has entailed. The lines of work established for this have been the following, and have as main axes the actions on the goods produced and actions on their productive process.

#### - Goods

In the context of a changing environment and increasingly aware of the effects of global climate change, the Group has been adapting the sale of its assets to new challenges in the climate and environmental field, and they are directly related to the latest trends in the automotive sector. In this sense, the Group is immersed in a technological transformation, aimed at reducing its corporate footprint, as well as the goods it produces. To achieve these objectives, the Group develops different technologies that provide the efficiency and flexibility necessary to face all challenges with changing volumes and scenarios.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

Technological diversity also allows to focus investments on those technologies most demanded by the market in each circumstance. Currently, the market is betting on the electrification of vehicles and more than 80% of the components and subassemblies produced by the Group can be used in any type of vehicle (combustion, electric, hybrid). Despite this considerable percentage of versatility in the goods it produces, the Group has proposed to take advantage of the opportunity offered by the decarbonization of transport to position itself in new products of high added value. These products are related to the engine and power electronics, gearboxes and batteries.

This commitment to batteries has materialized in the investment made by the Group in the company Basquevolt, S.A. (Note 9) with an initial investment of €1.5 million.

Additionally, the Group's technological commitment to meet these environmental objectives focuses on the Eco-efficiency and circularity, the light weighting of vehicles, the improvement of the user experience (noise reduction, light integration, ...), electric and autonomous vehicles and Industry 4.0 as a key to competitiveness and eco-efficiency, always aiming at the path towards the decarbonization of transport.

These actions are naturally linked to the reduction of environmental impact and mitigation of climate change. For those products that do not yet have a clear substitute in zero-emission vehicles, the Group has defined a strategy with different action plans.

Thus, the Group's spirit of adaptation and flexibility in the products it markets, together with the ability to always be aligned with new market trends, are the Group's main measure to address any market risks to its goods, as well as those that may arise from the transition to low-carbon economies.

- Actions on the productive process

The environmental actions on the production process for the realization of the goods sold to the market have been the following:

- a) *Environmental Investments*: the Group adapts its production facilities to the conditions required by the environmental legislation of the countries where it is located. Consequently, the Group makes investments aimed at minimizing environmental impact, protecting and improving the environment; and incurs expenses derived from environmental actions, which basically correspond to the ordinary expenses for the removal of waste, consulting, measurements and environmental certifications (Note 27).

The adaptation and incorporation of investments that meet the most current environmental requirements implies a direct mitigation of the risk derived from the transition to low-carbon economies in the recovery of the value of their productive assets.

- b) *Energetic efficiency*: the improvement of energy efficiency is a priority objective for the Group, since it contributes to reducing its environmental impact, in addition to implying a direct improvement in competitiveness. The main lines of action consist of energy saving, and emission control. In this line, the Group contracts clean energy for the operation of its facilities wherever this option is available; and with the same philosophy of reducing their emissions and their energy bill, photovoltaic panels have been installed in different facilities in Europe, where, in addition, in 2022 new contracts have been signed for the supply of green energy for own consumption starting 2023; and India, where investment in new solar power plants has continued (Note 9).

In this sense, it is expected that the action plans carried out by the Group in terms of efficiency will mean, in the medium and long term, an improvement in the margin on the goods it produces.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

- c) *Water and material consumption:* in the Group's production process, an intensive use of water is carried out. In order to reduce discharges as much as possible, it has its own systems and facilities for water treatment, recirculation and recovery. With regard to raw materials, the Group constantly reviews all processes to make responsible use of raw materials. An example of these practices is the reduction of the gross weight of the products it manufactures, and that implies the reduction of the consumption of energy and other products necessary for the production process.

As in the case of energy efficiency action plans, it is estimated that these actions will also improve the margins of the goods produced.

- d) *Pollution control and waste management:* the Group's environmental management systems are based on the ISO14001 standard, and ensure that pollution does not exceed the levels established by current regulations. On the other hand, the Group's recycling system allows the reincorporation of recycled raw materials into its production process. Those materials that cannot be recycled are collected by specialized managers who prioritize their recycling over their landfill.

All of these action plans and expected results have been included for each plant in the projections used for the asset impairment analysis described in Note 8.

### The risk of the impact on the margins of adaptation to low-carbon economies

Cost pressure can occur on car producers. During the deployment phase of more sustainable vehicles, the final cost will be higher and, to maintain sales volumes, there is a risk of increased cost pressure on component suppliers.

Faced with this type of scenarios and risks, the Group's model is very effective. Commercial diversification makes dependence on a project or its renovation low, so the freedom to invest in projects is key. To this is added another of the axes of the group, the investment discipline, which leads to a detailed analysis of the projects with volume sensitivity analysis, avoiding those projects with volumes lower than those initially announced have a definitive impact on the returns of the projects.

### The direct physical risk posed by climate change in the production process and operations of a business

As of 31<sup>st</sup> December 2022 and 2021, the Group's production facilities, as well as the customers to which it provides, were not located in areas or geographical areas where an imminent climate risk is foreseen.

However, the Group is aware of the unpredictability of the effects of climate change and monitors the impacts that any adverse circumstance may generate in the valuation of the Group's assets, and therefore, in its Consolidated Financial Statements. In this sense, the Group is exposed to physical risks whose possible impacts it manages depending on the typology of each of them:

- a) *Water stress risks:* are the risks that can result in the lack of water supply.
- b) *Acute physical risks:* are the risks arising from the occurrence of acute climatic phenomena. These accidental risks are covered by the global Civil Liability policy. To strengthen the management of environmental and safety risks, the Group has initiated a collaboration project with the technical departments of its insurance companies, where risks are evaluated and monetized and an elimination plan is established, or where appropriate, mitigation.
- c) *Chronic physical risks:* they are risks that cause gradual changes with more lasting impact, such as rising average temperatures, rising sea levels or prolonged periods of heat.

Although the Group's production facilities are not directly threatened by the effect of these chronic physical risks, there are environmental objectives established to be met in all the plants and regions where it operates.

- d) *Protection of biodiversity:* due to the location of its production facilities, mostly in industrial estates, the impact of its activities on biodiversity is not considered significant.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

In this sense, for the assumptions used in the analysis of impairment of assets described in Note 8, the Group has considered macroeconomic variables that already take into account, implicitly, the impacts that climate change may have in each of the geographies where it operates. The growth rates, discount rates and risk rates used are market ratios that implicitly also reflect the valuation of climate risk. These rates do not show significant differences with those used in previous years. Due to the very nature of the activity, it is considered that there is no material impact of the risk of climate change that implies an indication of deterioration, for any of the Group's cash generating units.

Likewise, based on the foregoing, it is not expected that there will be substantial changes in the Group's future estimates (provisions, changes in useful lives, etc.) nor significant impacts on the recovery analysis of non-financial assets taking into account that they have already been incorporated into the Group's business plans.

### 4. ENVIRONMENT

CIE Automotive is strongly committed to environmental sustainability, this being a priority in the development of its activities and its business strategy. Climate change is a challenge on which CIE has been working proactively for years on its path towards climate neutrality through various initiatives that have a positive impact on reducing its environmental footprint.

The Environment Chapter of the Non-Financial Information of this Report sets out the objectives, strategies and lines of work carried out in the area of environmental management of the Group.

### 5. HUMAN RESOURCES

People contribute one of the main assets of CIE Automotive, which bases its culture on values such as equality, diversity, equity, inclusion, teamwork, and talent development.

At year-end, the Group's workforce has increased by 514 members up to 24,986 employees.

The distribution of the staff and members of the Board of Directors as of December 31, 2022 and 2021 between women and men is as follows:

|              | 2022         |               |                      | 2021  |        |                      |
|--------------|--------------|---------------|----------------------|-------|--------|----------------------|
|              | WOMEN        | MEN           | Total <sup>(*)</sup> | WOMEN | MEN    | Total <sup>(*)</sup> |
| <b>TOTAL</b> | <b>4,594</b> | <b>20,392</b> | <b>24,986</b>        | 4,479 | 20,005 | <b>24,484</b>        |

(\*) As of 31<sup>st</sup> December 2022 and 2021, two members of the Board of Directors are, equally, executives of the Group.

In the specific section of the Annual Report that forms part of this Report details all the information relating to the Group's workforce.

### 6. R&D ACTIVITIES

CIE Automotive is proactive in technological transformation and decarbonization to reduce its product and corporate footprint, in accordance with market trends. With this purpose, it works in different lines to materialize the opportunities generated by the current scenario and mitigate or eliminate the risks that arise.

Especially relevant are the new technologies in the plants that provide the flexibility, agility and reaction capacity necessary to face all the challenges with changing volumes and scenarios. CIE Automotive is immersed in a technological transformation focused on the reduction of consumption and emissions, committed to the decarbonization of transport with its participation in the start-up of Basquevolt, S.A., an initiative for the production of solid state batteries.

#### 2022 work lines

The Group has continued to develop initiatives in the short, medium and long term, so that some of them are already reaching the market and others will gradually leave. Work in the technology area is entrusted to the 2025 Strategic Plan and develops five of the eight lines of action set:

- Vehicle lightness: reduction of the auto parts weight has a direct impact on its consumption and therefore, both in the emissions of combustion vehicles and autonomy of electric vehicles. CIE develops R&D and engineering projects in search of their maximum optimization.



## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

- Electrification: technological progress in this area positions CIE Automotive as a key agent in mitigating environmental impact and is part of the way forward to help minimize climate change.
- Comfort: the line of innovation for the incorporation of circularity criteria through the use of new materials based on natural fibres and with a higher percentage of recycled material has an important market in the area of comfort and is linked, in turn, to the eco-efficiency.
- Industry 4.0: Sensorisation, capture, analysis and visualization of the parameters of the critical process variables.
- Eco-efficiency: the efficient use of materials, which has been the basis of the Group's sustainability and competitiveness for years.

In addition, the Group maintains its presence in regional, national and international forums (Presidency of the Automotive cluster of the Basque Country ACICAE, members of the board of directors of the National Association of component manufacturers SERNAUTO, members of the executive committee of the TECNALIA technology center, we continue to participate in the CLEPA, EGVIA, etc. R&D&i Industrial forums).

### 7. TRADING WITH TREASURY SHARES

The balance of existing treasury shares in the Parent Company at the end of 2022 amounted to 2,919,127 shares. As of 31<sup>st</sup> December 2021, 15,244 treasury shares were held by the Company.

The movement of treasury shares in 2022 was as follows:

| 31 <sup>st</sup> December 2022 |                  |                                |
|--------------------------------|------------------|--------------------------------|
|                                | Number of shares | Amount<br>(Thousands of euros) |
| <b>Initial Balance</b>         | <b>15,244</b>    | <b>401</b>                     |
| Acquisitions of the year       | 3,346,121        | 71,391                         |
| Sales for the year             | (442,238)        | (11,466)                       |
| <b>Ending Balance</b>          | <b>2,919,127</b> | <b>60,326</b>                  |

During 2022, the Company has acquired a final amount of 59,925 treasury shares directly, with an ending balance of 2,919,127 shares (reaching 2.38% of the total voting rights issued by the Company), which are added to the indirect participation resulting from the equity swap agreement signed in the year 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights). During 2021, the Company acquired a net amount of 15,244 own treasury directly (0.01% of the total voting rights issued by the Company), which were in addition to the indirect participation resulting from the equity swap agreement signed in 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights).

Under this authorization framework, on 16th March 2022, the Company's Board of Directors resolved to terminate the liquidity agreement entered into in 2021 and to approve a program to repurchase the Company's own shares in order to reduce up to a maximum of 5% of the Company's share capital through the redemption of own shares, reserving the right to terminate this program prior to the expiration date in accordance with the agreed terms.

Also, the mandate conferred by the Shareholders' Meeting held on 28<sup>th</sup> April 2022, by virtue of which the Board of Directors of the Company is empowered to acquire, at any time and as many times as it deems appropriate, shares of CIE Automotive, S.A., by any means permitted by law, including with a charge to profit for the year and/or unrestricted reserves, and to subsequently dispose of or redeem such shares, all accordance with article 146 and concordant of the Capital Companies Law, until 28th April 2027.



## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

### 8. AVERAGE PAYMENT PERIOD TO SUPPLIERS

The breakdown of trade payables settled during 2022 and 2021 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of 5<sup>th</sup> of July, is as follows:

| <b>Days</b>                         | <b>2022</b> | <b>2021</b> |
|-------------------------------------|-------------|-------------|
| Paid operations ratio               | 73          | 76          |
| Outstanding operations ratio        | 77          | 79          |
| Average payment period to suppliers | 68          | 70          |

| <b>Payments in thousand euro</b> | <b>2022</b> | <b>2021</b> |
|----------------------------------|-------------|-------------|
| Payments made                    | 402,642     | 423,545     |
| Outstanding payments             | 259,811     | 216,897     |

Additionally, and in accordance with the obligations required in the Spanish Law 18/2022 on creation and growth of companies, it is reported that the total amount of payments made in before than the maximum established by Law 5/2010 has amounted to €96,933 and 16,049 invoices, which represent 24% of the total payments made and 27% of the total invoices.

While some companies have exceeded the time limit to domestic suppliers established in Law 15/2010, the Group has launched a series of measures have been launched essentially intended to the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

### 9. STOCK EXCHANGE INFORMATION

#### Listing price

In 2022, the CIE Automotive share has continued to be affected by the distrust of the markets towards securities related to the automotive industry. The Russian invasion of Ukraine brought the value of the shares to 18.97 euros per share and, although it gradually recovered positions, the year ended with a price of 24.06 euros per share, below 27.36 euros of the previous year (-12.07%).

Although CIE Automotive's stock market performance in 2022 is better than that of the European index —Stoxx Europe 600 Automobiles & Parts, which has registered a 20% drop—, it is worse than that of the average of the Ibex 35 companies and does not correspond to the record results presented quarter by quarter nor with the reliability demonstrated throughout its more than 25 years of history. Proof of this inconsistency is that the target value given by analysts who follow CIE Automotive has remained above its price throughout the year. At the end of the year, the market consensus places the target price at 29.08 euros per share.

#### Shareholder remuneration

In a complex year for the financial market, CIE Automotive has wanted to compensate its shareholders for the gap between its real value and its price by investing more than €200 million in operations aimed at increasing their remuneration.

On the one hand, in 2022, the company has distributed €87 million, paid in two payments of €0.36 gross per share. With these 0.72 euros, the dividends were close to pre-pandemic levels, close to 0.74 euros per share charged to 2019 and well above 0.50 charged to the 2020 financial year.

Along these same lines, the Board of Directors approved the distribution of an interim dividend of 0.41 euros gross per share against the results of the 2022 financial year, effective in January 2023.

## CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2022

---

Thus, in addition to distributing a third of its 2021 net profit, it launched a program to buy back its treasury shares to reduce share capital and increased its stake in MCIE through the purchase of minority interests. These corporate operations reflect CIE Automotive's strategy of investing, not in the acquisition of new companies, but in organic growth and maximizing shareholder remuneration.

### **10. NON-FINANCIAL INFORMATION STATEMENT – ANNUAL REPORT**

In accordance with Law 11/2018, 28 December, in terms of non-financial information and diversity, CIE Automotive's Group has prepared "NON-FINANCIAL INFORMATION REPORT" for 2022 in the file denominated Annual Report, which is part of the Director's report, as prescribed in at.44 Code of Commerce, and is attached as a separate document.

### **11. ANNUAL REPORT ON CORPORATE GOVERNANCE AND REPORT ON REMUNERATION TO DIRECTORS**

In order to guarantee transparency, both the legal framework defined by the Group as well as the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration are available on the corporate website [www.cieautomotive.com](http://www.cieautomotive.com), in line with the technical specifications and legal regulations established by the National Securities Market Commission in its Circular 3/2015, of June 23.

Additionally, considered as part of this Management Report, both the Annual Corporate Governance Report and the Annual Directors' Remuneration Report are incorporated by reference and may be consulted on the website of the National Securities Market Commission after being published by the Group:

<https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=1&nif=A-20014452>

<https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-20014452>

# **A success story in 5 keys**

**2022 Annual Report**

CHAIRMAN AND  
CEO’S STATEMENT

OUR ACHIEVEMENTS  
IN FIGURES

ABOUT  
THIS REPORT

**We have a  
solid business  
model**

- Geographical balance
- Customer diversification
- Multi-technology footprint
- Investment discipline
- Decentralised management
- Integrated ESG standards

**We are being  
guided by a  
sustainable  
strategy**

- Holistic strategy
- Progress made in 2022
- Strategic commitment to innovation

**We perform  
well in complex  
environments**

- Economic and sector context
- Earnings performance
- Financial situation

**We collaborate  
with our  
stakeholders**

- Shareholders
- Customers
- Employees
- Suppliers
- Society
- Environment

**We manage  
ethically and  
effectively**

- Excellent corporate governance
- Governance bodies
- Values and ethics framework
- Risk management
- Advances in ESG management



# Chairman and CEO's statement



**Jesús Mª Herrera**  
Chief Executive Officer



**Antón Pradera**  
Chairman

Dear friends of CIE Automotive:

The Annual Report we have the honour of introducing is an account of a successful year for our company. In 2022, despite the macroeconomic and sector difficulties, we managed to set a new earnings record, while continuing to advance on ESG goals, even though production and sales remained depressed in the automotive industry we serve.

Our net profit increased by 12%, to over €300 million, thanks to both revenue growth, to €3.84 billion, and delivery of healthy profit margins in all regions, even those most affected by the war in Ukraine. In tandem we met our ESG commitments, guided by the 2030 Agenda and its Sustainable Development Goals, to which we are committed as signatories of the United Nations Global Compact.

How did we perform so well in such an adverse scenario as that encountered in 2022? To explain our countercyclical performance, throughout this Annual Report we delve into the five keys that make our company a benchmark in the automotive parts sector, enabling us, yet again, to circumvent the prevailing crisis. Allow us to briefly outline those enablers here.

The first key to our success and the secret to our resilience is the **solidity of our business model**. Since we set up in the business 25 years ago, we have come through a series of crises by gripping tightly to the five hallmark traits of our model: multiple locations, customer diversification, a multi-technology approach, investment discipline and decentralised management. In recent years, we have added the integration of ESG criteria as our sixth pillar. Those criteria are fully embedded into our day-to-day operations and our Process Map.



<We turned obstacles into  
challenges, **eking out**  
**growth of 24%, outperforming**  
**the market by 9.7 points**>

Thanks to our strategic diversification, we are capable of offsetting lower demand across some regions, technologies or customers with healthier dynamics across others. By decentralising management, we give the various factories and regions greater autonomy so that they can make the best decisions in the prevailing circumstances. Our investment discipline imposes the prudence needed to generate higher returns and cash.

The second key of our success story is our **2025 Strategic Plan**, the integrated strategy we launched in 2021 in response to the profound social and sector transformation we are navigating. That roadmap is turning us into a better company, etching out the business and financial pathways that will lead to strong results, alongside the ESG lines of initiative designed to make us more sustainable, to which end we are measuring our impact along almost 80 indicators.

We are proud to be able to inform you that in 2022, we delivered the targets set and we are in a position to reiterate all our forward-looking commitments, even though the automotive sector has yet to fully recover to pre-pandemic health. Thank you to everyone who participated in this formidable achievement.

The third key is the **desire to improve that translates into exceptional earnings no matter how complicated the environment**. We measure our success not only by the results obtained but also the scale of the obstacles surmounted in the course of achieving them.

In 2022, the automotive sector once again had to face a very complex health, macroeconomic and sector situation, exacerbated by Russia's invasion of Ukraine in February 2022. On the supply side, some of the problems the sector had already been grappling with worsened: spiralling energy costs, disruption caused by the chip shortage and the higher cost of essential raw material and labour inputs. As for demand, the uncertainty regarding the outlook for the global economy, rampant inflation and rising interest rates affected vehicle purchases. As a result, the global industry was unable to return to pre-pandemic production levels: in 2022, production amounted to 82 million vehicles.

Faced by that adverse situation, we managed to turn those obstacles into challenges, and, stepping into the gaps left by the weaker competitors, increased our market share, registering growth of 24% and outperforming the market by 9.7 points.

Besides our sales momentum, a number of factors combined to boost our operating profit: the activation of our pass-through clauses to pass on the bulk of the increase in the cost of inputs; our strategic commitment to local suppliers, which mitigated transport costs and logistics issues; process productivity gains underpinned by highly efficient manufacturing consumption ratios; and stringent control over investments in maintenance and capacity.



Shaped by excellent management, our EBITDA increased by 12%, to over €633 million. And more importantly, we were able to convert 65% of that EBITDA into operating cash flow, which is of the utmost importance to us here at CIE Automotive.

Just as relevant as the volume of cash generated is how we use it. Virtually all of the cash generated went to remunerating our shareholders by paying out a third of our net profit, buying back owned shares and purchasing minority interests in MCIE. In total, we are talking about over €200 million invested in generating value for our shareholders and offsetting, at least partially, the mismatch between the company's intrinsic value and its share price.

That brings us to the fourth key to our success: **loyal collaboration with our stakeholders**. Our shareholders, but also our customers, employees and suppliers, help us forge our value-added proposition, which is why we want to involve and vest them in our success.

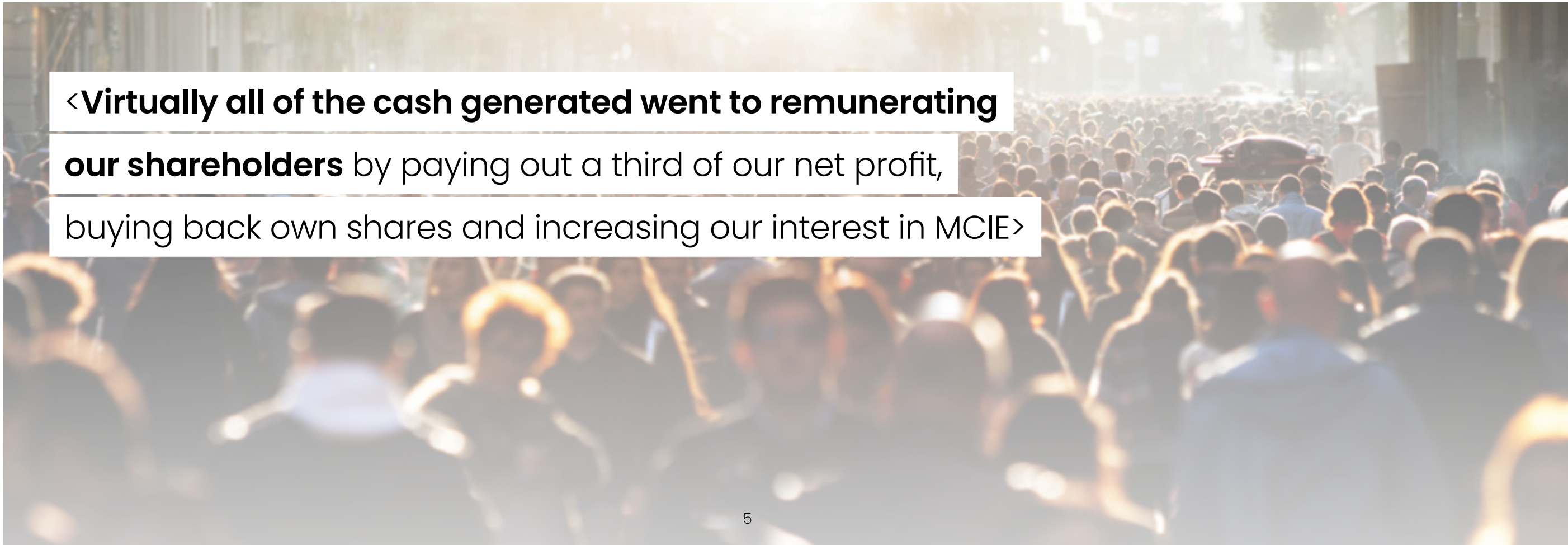
Indeed, in 2022, we devoted over more than €600 million to remunerating the close to 25,000 people spread over 18 countries who make up the CIE Automotive team. We work hard to provide them with a safe and stimulating place to work in which they can develop

their careers, helped by over 812,000 hours of training. We conduct diversity and inclusion assessments in all our business regions so all our employees have access to the same opportunities.

Our suppliers (92% of whom are local), who were likewise key in enabling delivery of our corporate objectives, benefitted from over €2,800 million of purchases. Those purchases are framed by a procurement model based on excellence which earned ISO 20400 – Sustainable procurement certification in April, making CIE Automotive the first company from the automotive sector to obtain that certification in Spain.

As for our OEM and Tier 1 customers, we continue to work tirelessly to improve the quality of our products and provide them with solutions that respond to the dominant market trends: electrification, user experience, safety and protection and outsourcing of production, among others.

In parallel, we sought to position ourselves at the forefront of the transport decarbonisation thrust by participating in Basquevolt, the Basque solid-state battery initiative.



<Virtually all of the cash generated went to remunerating  
our shareholders by paying out a third of our net profit,  
buying back own shares and increasing our interest in MCIE>





<We are committed  
to achieve net zero  
greenhouse gas emissions  
no later than 2050>

Likewise, in December 2022, we raised our environmental strategy ambitions, approving a new roadmap that establishes new medium- and long-term targets framed by science and the Paris Agreement. Specifically, we are committed to being zero net by 2050 at the latest, a pledge we want to rally our suppliers around by means of the Supply Chain Race to Zero initiative.

All these activities are having a positive impact on society, to which we try to give back much of we have been so fortunate to receive, as is evident in our total tax contribution of €468.5 million and various social action programmes that benefited more than 78,000 people. We would like to highlight two new corporate programmes: CIE STEM Planet, to encourage people to study maths and science in the Basque region, and an UNHCR programme for the provision of job training and skills to refugees and migrants in Brazil.

Lastly, we would like to refer to the fifth key to our success: **our ethical and effective management**. Here at CIE Automotive we have a corporate governance regime that helps us meet the targets we set and minimise our risks. Over the year we met all our compliance requirements and continued to add to our compliance model by introducing our criminal risk map in India, Spain, France and Germany. We also continued to engage all our professionals in the integration of ESG matters by holding new ESG Days in United States, Italy and Slovakia.

These are five of the keys that helped us write a success story in 2022. We have faith that they and all of you will enable us to continue to surmount whatever other challenges lie in store.

Many thanks,

**Antón Pradera**  
Chairman

**Jesús Mª Herrera**  
Chief Executive Officer





# Our achievements in figures

***Here at CIE Automotive, we ended 2022, a year plagued by obstacles and uncertainty, with record profits, having made significant progress on the ESG front in parallel. Our earnings performance, in spite of the inflation crisis, logistics problems and scarcity of inputs needed to produce vehicles, once again demonstrates our resilience in the face of adversity.***

***How did we do it? Throughout this report we outline five of the key enabling success factors.***

# Earnings highlights

## NET PROFIT

**€300.1 million**

12.2% VS.  
2021

## EBITDA

**€633.4 million**

12.1% VS.  
2021

## CASH FLOW FROM OPERATIONS

**€402.8 million**

66.1% OF  
EBITDA

## NET DEBT

**€1.27 billion\***

-7.8% VS.  
2021

## REVENUE AND MARKET SHARE

**€3.84 billion**

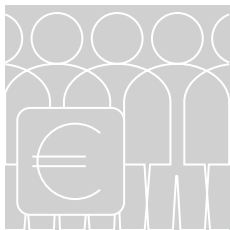
+24.1% VS.  
2021

+9.7pp VS  
MARKET

(\*) Net debt figures adjusted for the group's 50% interest in the Chinese JV, SAMAP.

# Shared value

## Shareholders

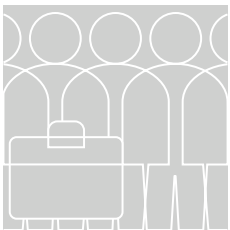


DIVIDENDS  
**€88.2m paid out**

**Buyback**  
PROGRAMME  
covering up to 5%  
of SHARE CAPITAL

MEETINGS WITH MORE THAN  
**500 investors**

## Customers



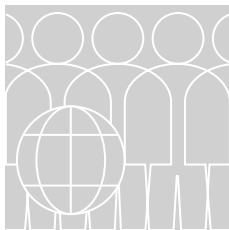
OVER  
**80 customers**  
between OEMs y TIER 1

**>7,000**  
SKUs

**94 factories**  
with triple certification

**≈2% of revenue**  
earmarked to R&D

## Society



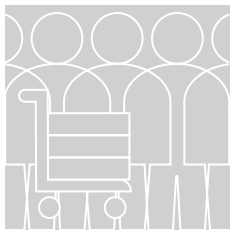
**€468.5 million**  
in TAXES  
paid

CLOSE TO  
**€2 million**  
to COMMUNITY WORK  
PROGRAMMES  
(+54% vs. 2021)

MORE THAN  
**78,000**  
**beneficiaries**

**2 new**  
COMMUNITY WORK  
PROGRAMMES

## Suppliers



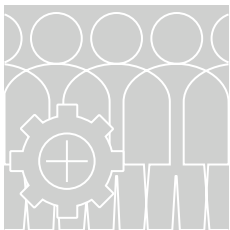
OVER  
**€2.8 billion**  
spent on PROCUREMENTS

**92.3%**  
of SUPPLIERS are  
**LOCAL**

**582 quality**  
AUDITS

**Sustainable**  
procurement certification  
**20400**

## Employees



**24,986 employees**  
in 18 countries

**812,332 hours**  
of TRAINING (+17% vs. 2021)

**90% of executives**  
have received **ESG TRAINING**

**€605\* million**  
OF STAFF COSTS

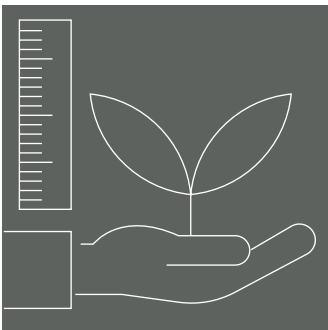
**50%** factories completed the  
**CORPORATE DIVERSITY ASSESSMENT**  
(100% targeted for 2025)

**2pp**  
**REDUCTION IN THE GENDER PAY GAP**  
(from 7% in 2021 to 5% in 2022)

(\*) Without considering the German forging companies classified as discontinued operations (€49.8M in employees costs in 2022).

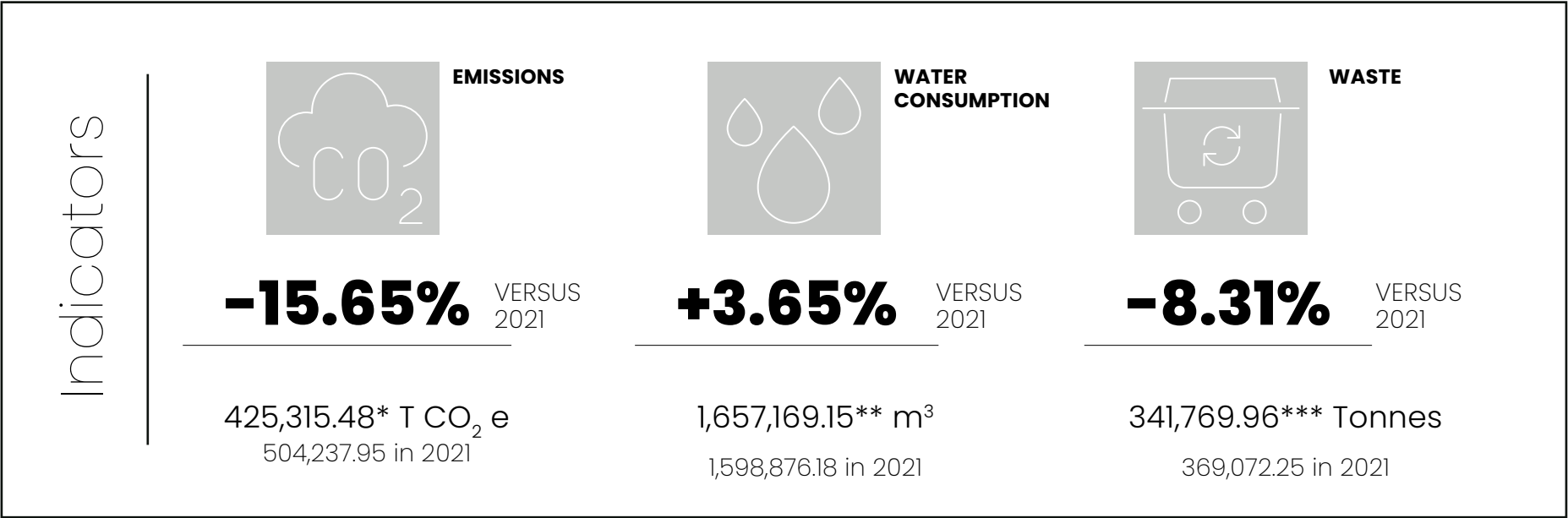
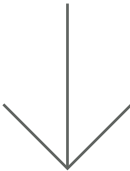
# Progress on environmental commitments

CIE Automotive is committed to delivering long-term targets based on scientific criteria, framed by the SBTi. Those targets specifically include becoming net zero no later than 2050 and aligning the company's emissions reduction milestones with the levels of decarbonisation needed to deliver the Paris Agreement goals and limit global warming to 1.5°C above pre-industrial levels.



MEASUREMENT OF OUR  
**CARBON FOOTPRINT**  
in all markets and technologies.

IMPROVEMENT IN  
**ENVIRONMENTAL KPIS**



(\*) The total includes the emissions corresponding to the German forging factories (14,418 tonnes of CO<sub>2</sub>e in 2022, compared to 17,671 tonnes in 2021).

(\*\*) The total includes the emissions corresponding to the German forging factories (107,577 m<sup>3</sup> in 2022 compared to 91,589 m<sup>3</sup> in 2021 +3.65% versus 2021).

(\*\*\*) The total includes the emissions corresponding to the German forging factories (25,009.31 tonnes in 2022 compared to 25,893.97 tonnes in 2021).



# Progress on the corporate governance

## Corporate RISK MAP

UPDATE WITH  
the involvement  
of >300 participants

## DEPLOYMENT OF THE CRIMINAL RISK MAP

in Spain, Germany, France and India and update of  
the maps already in place in United States, Mexico,  
Brazil, China and the Czech Republic

## ADDITION of new climate risks to the CLIMATE RISK MAP

## CONTINUOUS TRAINING

on criminal liability  
and anti-corruption

## MONITORING OF 79 ESG INDICATORS

within the 2025 Strategic Plan



# Progress on Social commitments

## CORPORATE DIVERSITY PLAN

**50% OF OUR  
FACILITIES ASSESSED**

in the first year of implementation  
(target for 2025: 100%)

## ULYSSES PROGRAMME

**12 STUDENTS, 3 COUNTRIES  
AND OVER 10 FACTORIES**

(2025 target: 15 students, 3 countries and 80% in  
employment two years on)

**90% OF FACTORIES\***

ISO 45001 CERTIFIED  
(2025 target: 100%)

## ESG TRAINING

**ALMOST 90%**

of the members of the factory  
management committees  
(2025 target: 100%)

(\*) Assuming the scope of consolidation as of the date of publication of the 2025 Strategic Plan.

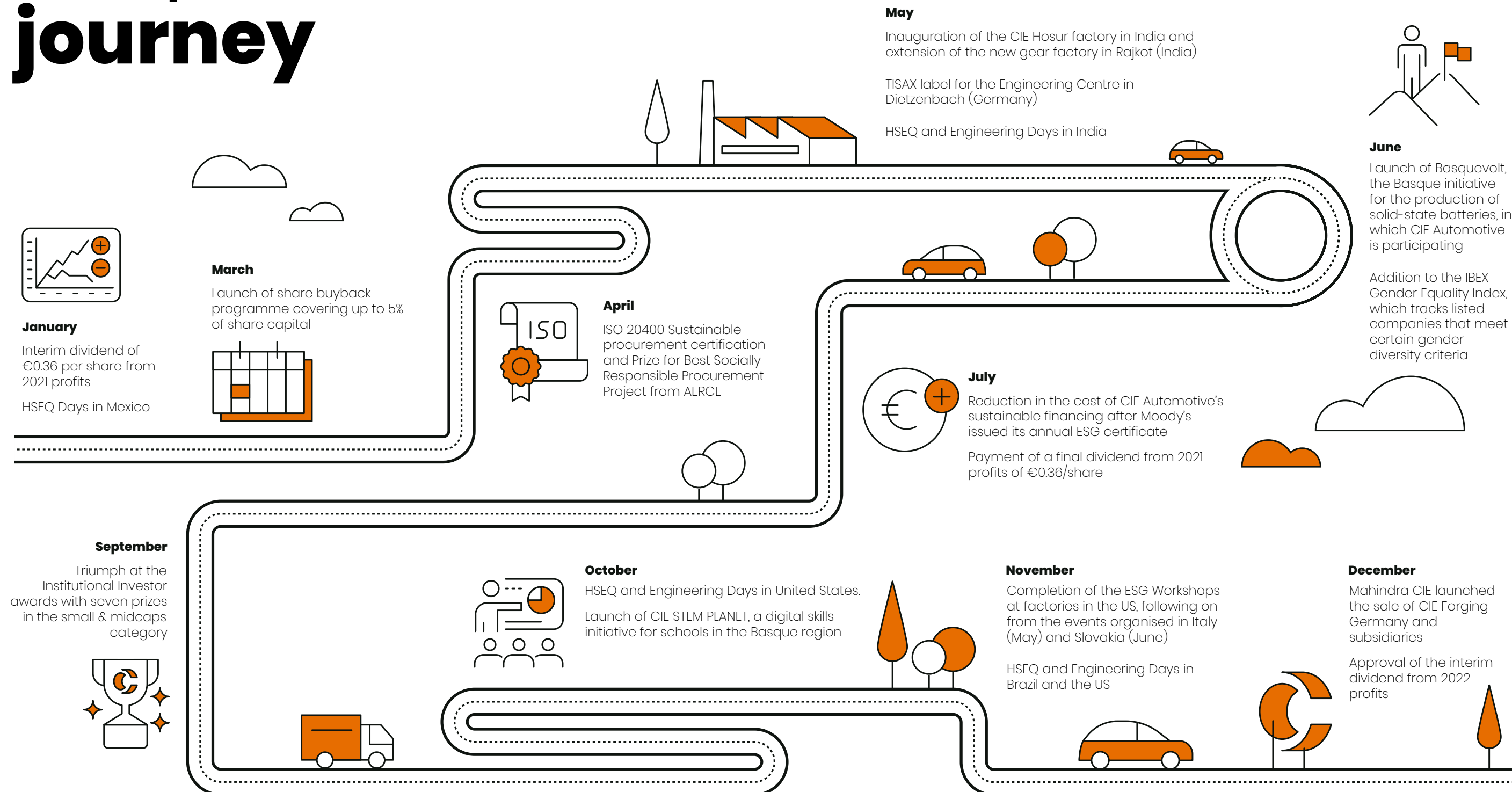


# ESG25

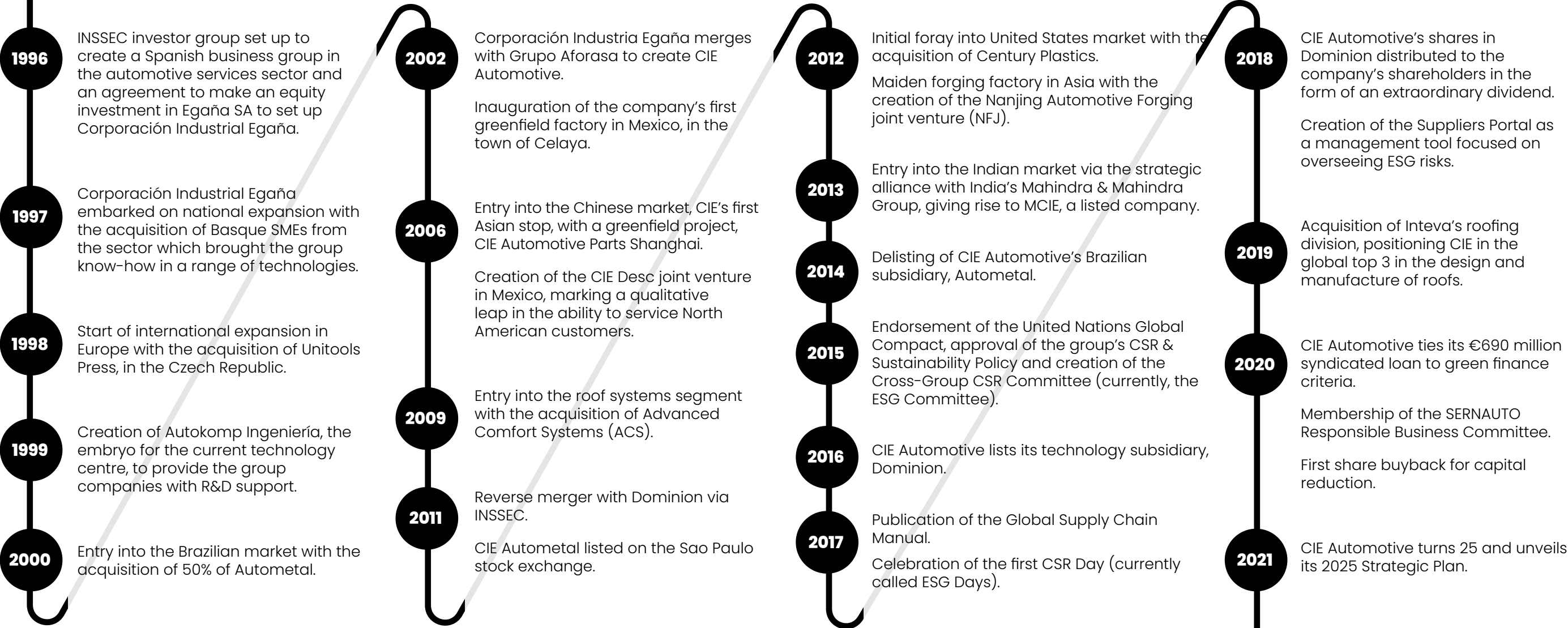
Very significant advances were made on execution of the 2025 Strategic Plan in 2022, specifically including progress on the following aspects:

- Performance of 53 corporate diversity assessments, which means that three years before the end of the Plan, 50% of the group's plants have already been evaluated.
- Increase in the number of countries and students involved in the Ulysses Programme
- 90% of executives have received ESG training, up 23% from 2021.
- 90% of the group's factories are ISO 45001 (health & safety) certified, coupled with a sharp improvement in the injury and work-related ill health metrics.

# An exceptional journey



# A story of growth and resilience





# CIE Automotive around the world

## 1. UNITED STATES

- CIE USA (multitech.)
- CIE Newcor RGI Clifford
- CIE Newcor MTG Corunna
- CIE Newcor MTG Owosso
- CIE Somaschini North America
- Golde Auburn Hills

## 2. MEXICO

- CIE Amaya Mex
- CIE Celaya (multitech.)
- CIE Matic
- CIE Nugar
- CIE Nugar Puebla
- CIE PEMSA Celaya
- CIE Plásticos México
- CIE PEMSA Saltillo
- CIE Forjas de Celaya
- Bill Forge de México
- Golde Puebla
- CIE Mapremex

## 3. BRAZIL

- CIE Autoforjas
- CIE Autometal SBC
- CIE Dias D'Ávila
- CIE Autocom
- CIE Jardim Sistemas
- CIE Nakayone
- CIE Durametal
- CIE Taubaté
- CIE Autometal Diadema (multitech.)
- CIE Autometal Pernambuco
- CIE Autometal Minas

## 4. SPAIN

- CIE Alcasting
- CIE Alurecy
- CIE Amaya
- CIE Denat
- CIE Egaña
- CIE Galfor
- CIE Gameko
- CIE Inyectametal
- CIE Legazpi
- CIE Mecasur
- CIE Mecauto
- CIE Norma
- CIE Nova Recyd
- CIE Orbelan
- CIE Recyde
- CIE Recylan
- CIE Recytec
- CIE Udalbide
- CIE Vilanova
- ACS Ibérica

## 5. PORTUGAL

- CIE Stratis
- CIE Plasfil

## 6. FRANCE

- CIE Compiègne
- ACS France

## 7. ITALY

- Metalcastello Spa
- CIE Somaschini
- CIE Somaschini Automotive

## 8. MOROCCO

- CIE Maroc

## 9. GERMANY

- Falkenroth Umformtechnik GmbH
- GSA Gesenkschmiede Schneider GmbH
- Schöneweiss & Co. GmbH

## 10. LITHUANIA

- CIE LT Forge

## 11. CZECH REPUBLIC

- CIE Zdanice
- CIE Metal CZ
- CIE Plasty
- CIE Unitools Press
- CIE Praga Louny

## 12. SLOVAKIA

- CIE Mar Sk
- Golde Lozorno

## 13. ROMANIA

- CIE Matricon
- ACS Romania
- Golde Oradea

## 14. RUSSIA

- CIE RUS

## 15. CHINA

- CIE Automotive Parts Shanghai (multitec.)
- Nanjing Automotive Forging
- ACS Shanghai
- ACS Wuhan
- Golde Changchun
- Golde Shanghai
- Golde Tianjin
- Golde Wuhan
- Golde Shandong
- SAMAP Ningde
- SAMAP Shanghai

## 16. INDIA

- MCIE Forgings Pune
- MCIE Gears Pune
- MCIE Gears Rajkot
- MCIE Stampings Rudrapur
- MCIE Stampings Nashik
- MCIE Stampings Kanhe
- MCIE Stampings Kanhe II
- MCIE Stampings Zaheerabaad
- MCIE Stampings Pantnagar
- MCIE Stampings Nagpur
- MCIE Composites Division
- MCIE Foundry Division
- MCIE Magnetic Products Division
- Bill Forge Bommasandra
- Bill Forge Jigani (Plant 2)
- Bill Forge Attibele
- Bill Forge Coimbatore
- Bill Forge Haridwar
- Bill Forge Jigani (Plant 6)
- AEL Aurangabad HPDC
- AEL Aurangabad GDC
- AEL Pantnagar
- AEL Pune
- CIE Hosur
- Golde Pune



*i*

On 2nd February 2023, CIE Automotive announced the acquisition of 100% of the share capital of the company Iber-Oleff Brasil, Ltda. for approximately €20 million.

With close to 400 employees and revenue amounting to €25 million in 2022, Iber-Oleff Brazil is located in Sao Paulo, and is specialized in the manufacture of plastic components for vehicle interiors, integrating into its processes injection, welding, painting, laser and assembly.

The closing of the operation is subject to compliance with the usual conditions to which these types of transactions are subject to.



KEY 1

# We have a solid business model

Our resilience in the face of difficulties is underpinned by a solid business model, predicated on geographical balance, customer diversification, a multi-technology approach, decentralised management and seamless integration of ESG criteria and standards into our day-to-day business management. Upon these pillars, we have surmounted a host of crisis and are ready for the future.

Geographical balance

Customer diversification

Multi-technology footprint

Investment discipline

Decentralised management

Integrated ESG standards

We have a solid business model

We are being guided by a sustainable strategy

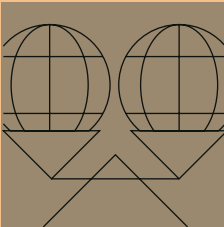
We perform well in complex environments

We collaborate with our stakeholders

We manage ethically and effectively

# Cornerstones of the business model

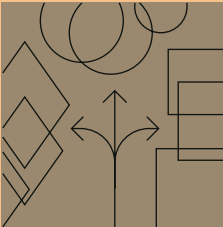
## Geographical balance



**112**  
MANUFACTURING FACILITIES  
in **109** LOCATIONS  
across **16** COUNTRIES

**10** RESEARCH  
centres

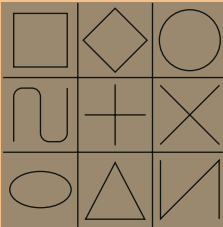
## Customer diversification



**70% OEMs**  
(automobile manufacturer)

**30% TIER 1**  
suppliers

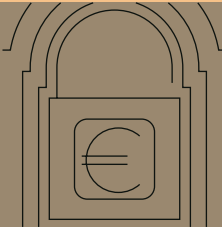
## Multi-technology approach



### 7 technologies:

- Machining
- Metal stamping and tube forming
- Forging
- Plastic
- Aluminium die casting
- Casting
- Roof systems

## Investment discipline



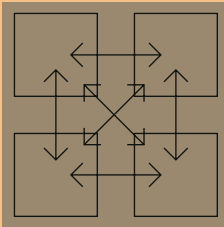
FLEXIBLE  
**standard**  
machinery

High  
**returns**  
ON INVESTMENTS

High  
**EBITDA-to-cash**  
CONVERSION RATIO

OPERATING  
**working capital ≈ 0**  
(excluding factoring)

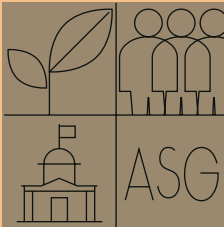
## Decentralised management



**4 autonomous**  
GEOGRAPHIC  
regions

**1 corporate**  
NETWORK  
to support the regions

## Integration of ESG standards



**Ethical commitment**

**CIE culture**

**Eco-efficiency**

**Active listening**

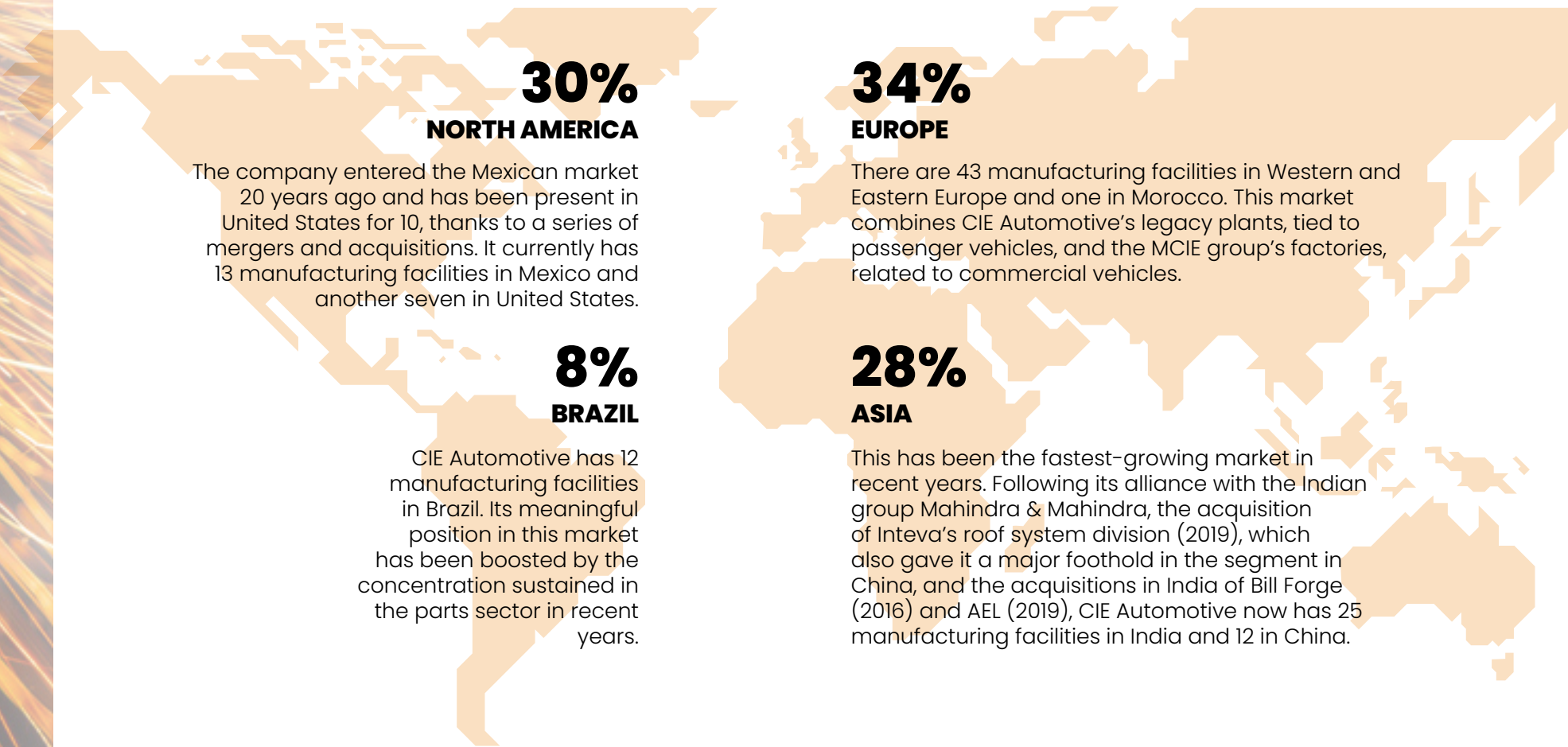
# Geographical balance

Since its creation in 1996, CIE Automotive has been expanding its geographic footprint and placing its manufacturing facilities close to vehicle assembly lines in the main automotive markets: Europe, North America, Asia and Brazil. After acquiring a number of companies, building new factories from scratch and striking alliances with other companies, our reach now extends to 112 manufacturing facilities – in 109 locations – and 10 research centres, in 16 countries.

That geographical diversification has made us a benchmark supplier for the global automotive platforms, enabling us to maintain a healthy sales and earnings mix across the various regions. As a result, in adverse cycles such as this, geographical diversification emerges as a good defensive strategy, as we can offset the slowdown in production in some countries with buoyancy in others.

## CIE Automotive factories around the world

*Percentage of sales*





# Customer diversification



We have a solid business model

CIE Automotive boasts strategic customers all around the world: a mix of major multinational vehicle manufacturers, the OEMs (70%), and Tier 1 parts makers (30%)

Its policy is not to become dependent on specific customers: the largest customer accounts for less than 8% of revenue. The strategy gives it bargaining power when it comes to negotiating prices and has facilitated growth in times of crisis.

Customer solvency and demand considerations are key to making investment decisions guided by profitability criteria and rather than strict volume criteria.

>80 clients OEM and TIER 1



Mercedes-Benz



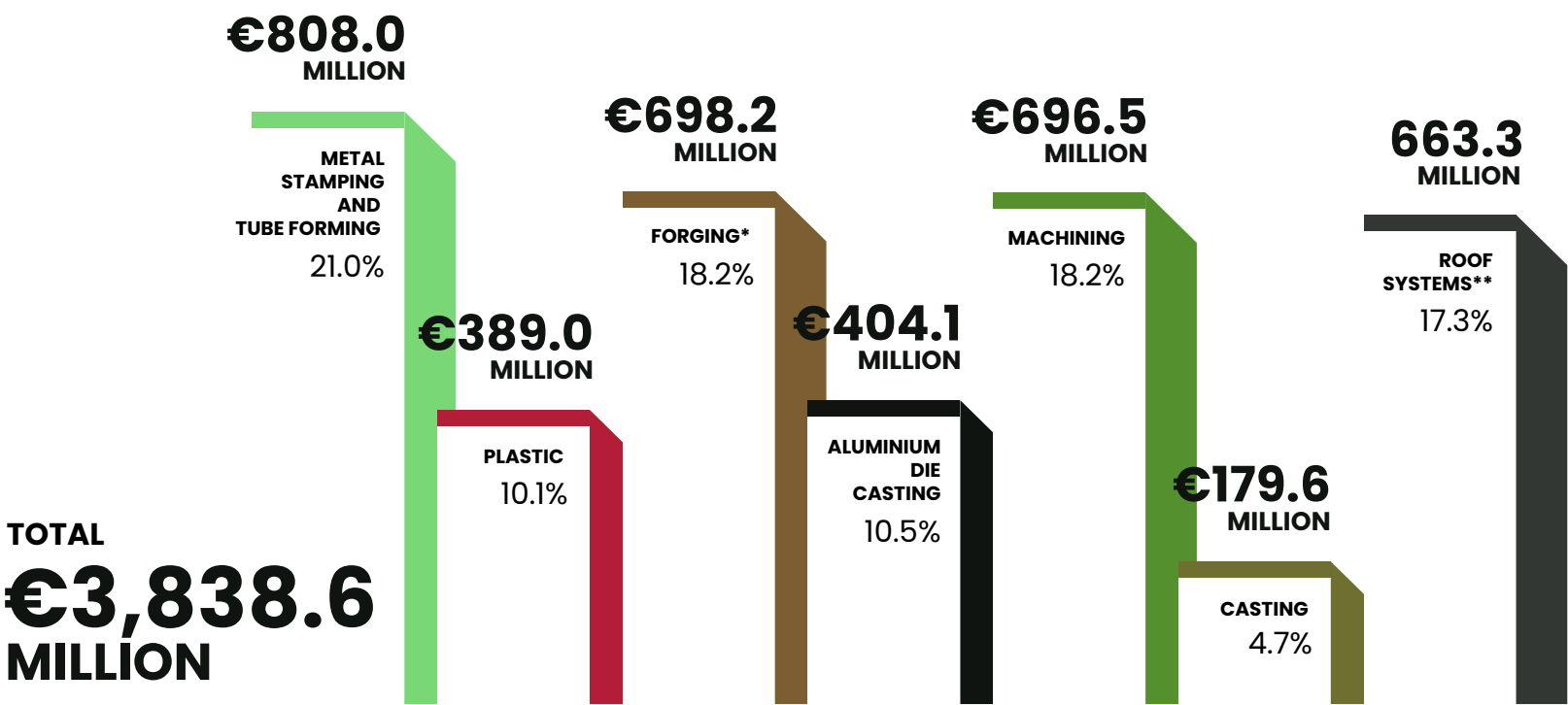
# Multi-technology footprint

CIE Automotive makes more than 7,000 parts and subassemblies using seven different basic processes or technologies: machining, metal stamping and tube forming, forging, plastic, aluminium die casting, casting and roof systems. Mastery of that universe of technologies makes the group a one-stop-shop for its customers, which can choose from a variety of technical proposals for a given part or select a subassembly made using a broad spectrum of technologies.

That diversity also allows it to focus its investments on the technology in greatest demand in the market in changing circumstances. At present the market is looking for vehicle electrification and over 80% of the company's parts and subassemblies can be used in any type of vehicle (combustion, electric, hybrid).

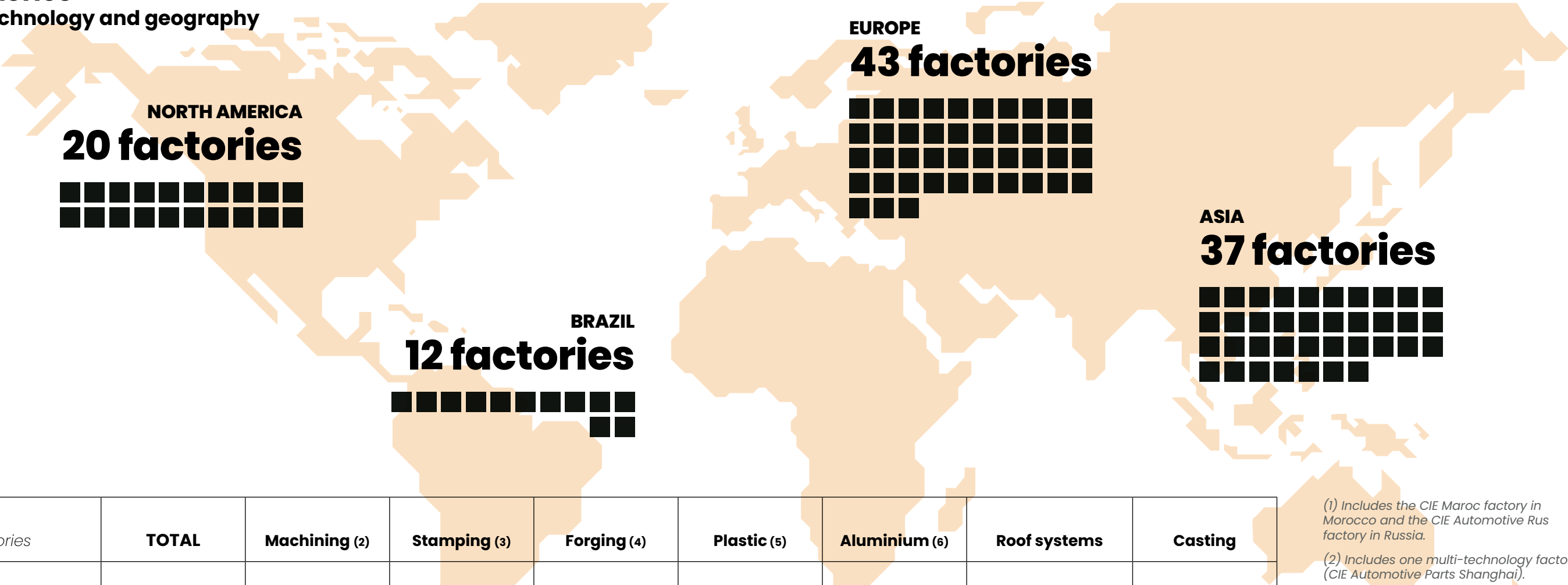
Refer to the section on Customers

## Revenue mix by technology



(\*) Excludes €230.1m of revenue generated by the discontinued German forging companies.  
(\*\*) Excludes the revenue generated by SAMAP.

Factories by technology and geography



| Factories            | TOTAL | Machining (2) | Stamping (3) | Forging (4) | Plastic (5) | Aluminium (6) | Roof systems | Casting |
|----------------------|-------|---------------|--------------|-------------|-------------|---------------|--------------|---------|
| Europe (1)           | 43    | 17            | 5            | 6 (6)       | 5           | 5             | 5            | -       |
| North America        | 20    | 7             | 5            | 2           | 3           | 1             | 2            | -       |
| Brazil               | 12    | 1             | 4            | 1           | 4           | 1             | -            | 1       |
| Asia (India & China) | 37    | 3             | 8            | 9           | 1           | 4             | 10           | 2       |
| TOTAL                | 112   | 28            | 22           | 18          | 13          | 11            | 17           | 3       |

(1) Includes the CIE Maroc factory in Morocco and the CIE Automotive Rus factory in Russia.

(2) Includes one multi-technology factory (CIE Automotive Parts Shanghai).

(3) Includes three multi-technology factories (CIE Celaya, CIE Automotive Parts Shanghai and CIE Autometal Diadema).

(4) Includes one multi-technology factory (CIE Autometal Diadema), as well as one facility in each of India and United States that use composites technology.

(5) Includes one multi-technology factory (CIE Celaya).

(6) Includes three factories belonging to the German operations classified as discontinued.





# Investment discipline

CIE Automotive invests year after year to increase its productive capacity and lift its facilities’ performance, framed by stringent financial discipline focused on cash generation.

Investments always factor in the three core aspects of the company’s financial discipline: CAPEX, high return hurdles and healthy EBITDA-to-operating cash conversion.

CIE Automotive is committed to rigorous financial discipline with a focus on cash generation

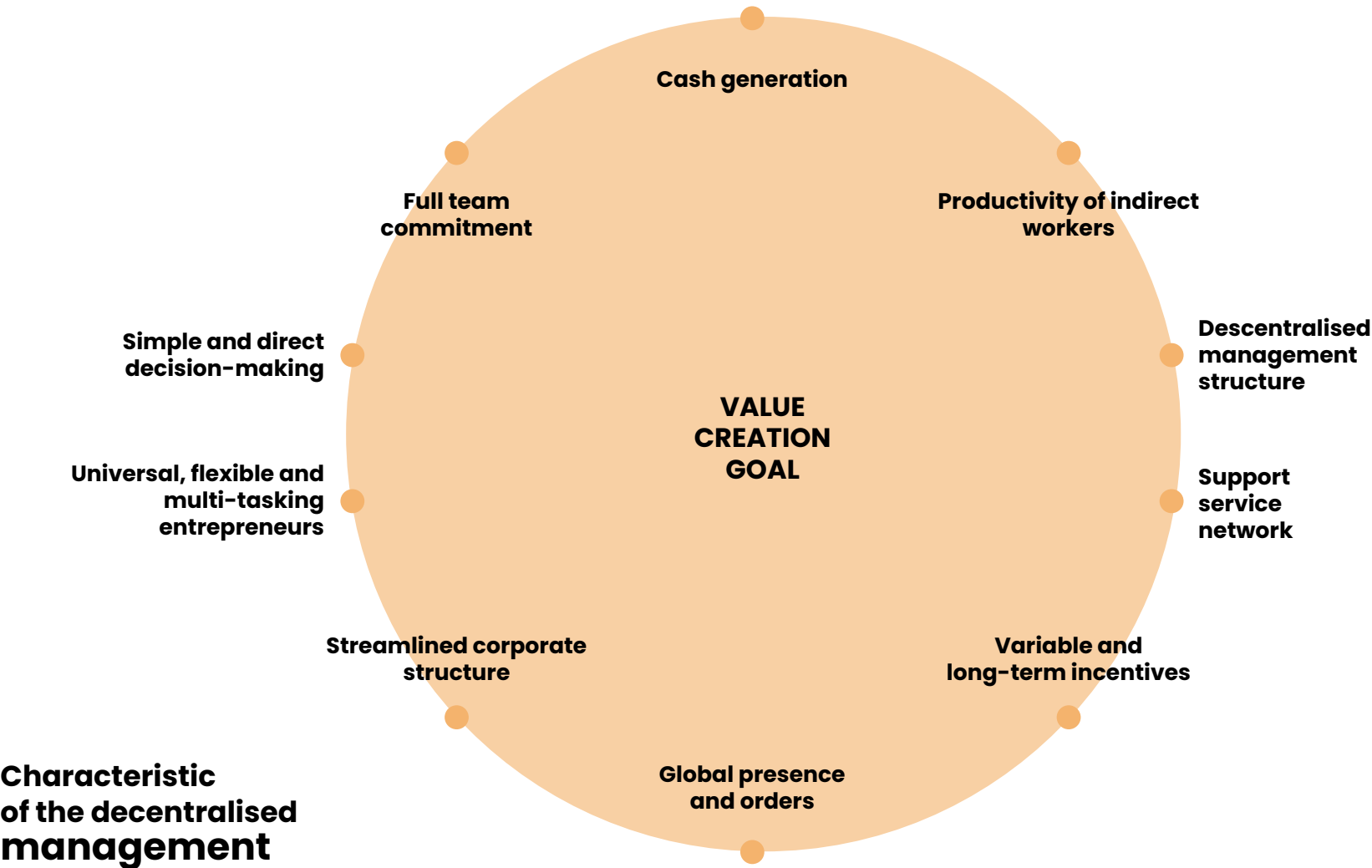
## Pilars of investment discipline strategy

| CAPEX                                                                                                     | Strict investment discipline<br>High return hurdles | EBITDA-to-cash conversion<br>operating                                                                                                    |
|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Flexible, standard equipment which enables high capacity utilisation.                                     | Investments ≥ 20% ROI.                              | Operational excellence coupled with control over CAPEX for an EBITDA-to-operating cash conversion ratio that is above the market average. |
| Recurring CAPEX of ~3% of revenue, which is sufficient to enable facility maintenance and organic growth. | Net working capital ≈ 0.                            | Target ratio of >60%.                                                                                                                     |

# Decentralised management

CIE Automotive has a decentralised management model, which gives it the flexibility it needs to compete successfully in a global market. It also provides the company with a lean (simple, optimum and efficient) structure, which speeds up decision-making, a trait that sets it apart in challenging times such as these.

Each geographical region and each division make the decisions they believe best for them under the circumstances with a common goal: value creation. In making those decisions, they are supported by the various Corporate Areas (Sales, Procurements, R&D, Human Resources and Engineering, Quality and Environment) and a series of Network Services vested with a group-wide remit.



# Integration of ESG standards



CIE Automotive’s sustainability pathway is articulated around environmental, social and governance (ESG) standards. The specific ESG targets are embedded into the 2025 Strategic Plan.

In 2019, CIE Automotive formally introduced those standards into its business model, further articulating the commitment assumed in 2015 as a United Nations Global Compact signatory to comply with its 10 principles and devote resources and effort to contributing to the delivery of the Sustainable Development Goals (SDGs).

The company extends its ESG commitments to the companies comprising its supply chain, which it assesses against responsibility criteria, and the rest of the business community, through active participation in a number of associations and forums. Those platforms notably include the Responsible Business Committee of SENAUTO, the Spanish association of automotive equipment and components manufacturers, and Forética, a business organisation devoted specifically to integrating ESG matters into companies’ strategies and management.

Refer to Progress made on the ESG front

ESG aspects  
at CIE Automotive

|                       |                                                               |
|-----------------------|---------------------------------------------------------------|
| ENVIRONMENTAL ASPECTS | Environmental footprint control                               |
|                       | Circular economy                                              |
|                       | Eco-design                                                    |
|                       | Climate change                                                |
|                       | Sustainability                                                |
| SOCIAL ASPECTS        | Transparency and collaboration with stakeholders              |
|                       | Community work in collaboration with specialist organisations |
| GOVERNANCE ASPECTS    | Ethical commitment                                            |
|                       | Compliance                                                    |
|                       | Body of internal policies and regulations                     |

KEY 2

# We are being guided by a sustainable strategy

In 2021, we set our compass towards sustainable profitability against the backdrop of growing challenges and uncertainties: the 2025 Strategic Plan. In 2022, we stuck tight to that roadmap in order to ride out the ups and downs and now, proud of what we have achieved, we are continuing along the pathway we have set for ourselves.

Holistic strategy

Progress made  
in 2022

Strategic  
commitment to  
innovation

We have a  
solid business  
model

We are being  
guided by a  
sustainable  
strategy

We perform  
well in  
complex  
environments

We  
collaborate  
with our  
stakeholders

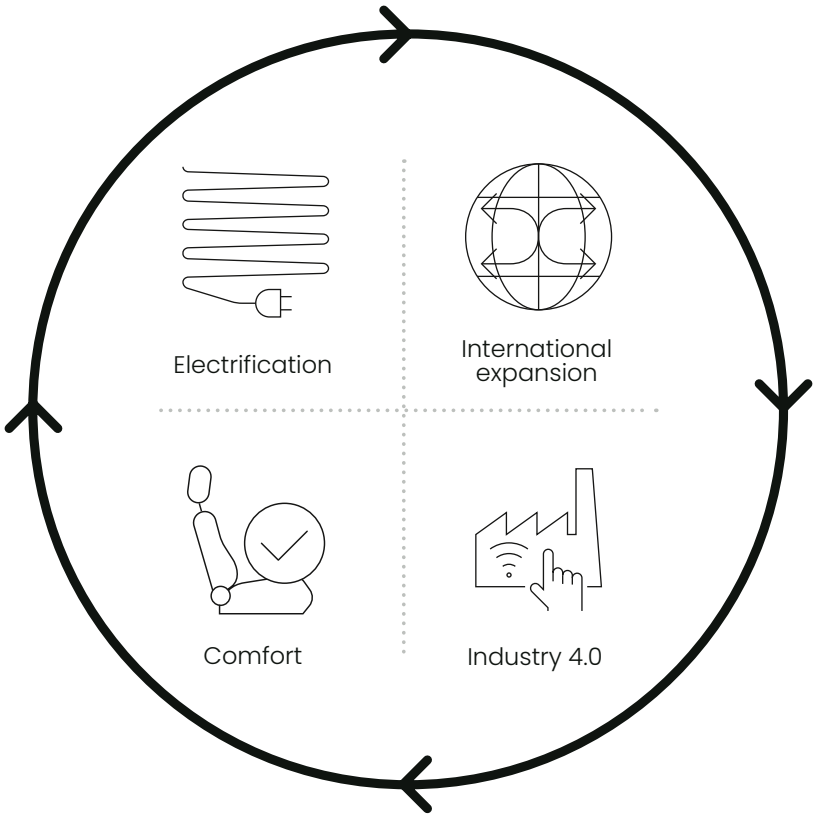
We manage  
ethically and  
effectively



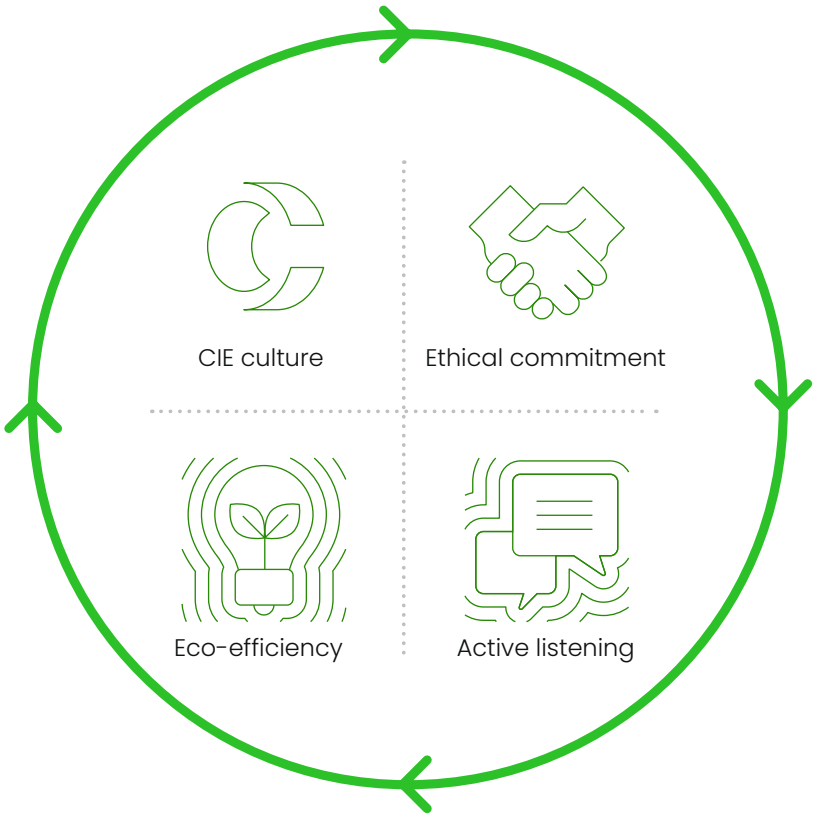
The 2025 Strategic Plan is a dual challenge for CIE Automotive. Firstly, it sets earnings and business targets that respond to market trends. Secondly, it aims to address the needs and concerns of all our stakeholders by integrating ESG standards into our management model and measuring each and every impact so as to attain quantifiable improvements.

Lines of the 2025 Strategic Plan

Holistic  
strategy



KEY OPERATIONAL LINES  
*Presented in June 2021*



KEY ESG LINES  
*Presented in November 2021*



# Key lines of the 2025 Strategic Plan

---

In December 2020, CIE Automotive’s Board of Directors approved a business strategy focused on the generation of cash which implies significant deleveraging and establishes a series of milestones, based on organic growth, for delivery by 2025.

One year on, and despite the fact that the market volumes now projected between 2021 and 2025 are 7% below those contemplated at time of drafting the 2025 Strategic Plan, the company is not backing away from any of its commitments.

## Organic\* commitments embedded in the 2025 Business Plan

|                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue growth of about 20 percentage points above market growth.</b>                                                               |
| <b>An EBITDA margin of over 19% in 2025, reinforcing the company’s position as one of the most profitable suppliers in the sector.</b> |
| <b>CAPEX of around €1 billion over the five-year period, which is around 5% of revenue per annum.</b>                                  |
| <b>Annual income tax payments of 2% of revenue.</b>                                                                                    |
| <b>Sustained generation of cash from operations equivalent to 65% of EBITDA. Approximately €500 million from 2025.</b>                 |

Thanks to its ability to generate cash, the company will be in a position to invest up to €1.5 billion without its leverage surpassing 2x (ND/EBITDA) by the end of the Plan. That CAPEX may be earmarked to any corporate transaction (e.g., M&A activity, repurchase of shares, acquisition of non-controlling interests, etc.) which ever maximizes value creation at each point in time.

(\*) These commitments or guidance was determined assuming the existing consolidation scope and revenues at constant exchange rates and without pass-through.

KEY OPERATIONAL LINES OF INITIATIVE

To deliver on those commitments, CIE Automotive has established four lines of initiative, aligned with the trends affecting the world in general and the automotive sector in particular: electrification, Industry 4.0, comfort and international expansion.

Electrification

Although 80% of CIE Automotive’s products can be used in electrified and combustion-engine vehicles alike, the company has decided to grab the opportunity afforded by the decarbonisation of transport to position itself in new value-added products. Those products are related with the motor, power electronics, gearboxes and batteries.

Refer to “Technology and innovation”

Industry 4.0

CIE Automotive finds itself in the midst of the fourth industrial revolution and is moving strategically towards smart manufacturing, gradually implementing Industry 4.0 tools and different enabling technologies and sensorisation capabilities in order to capture data and use algorithms to analyse it. Implementation of those new technologies is making our processes more efficient while reducing our environmental impact by cutting the volumes of prototypes, energy and raw material consumption, product rejects and scrap generation.

Refer to “Technology and innovation”

Comfort

The company’s comfort strategy is articulated around its CIE Roof Systems division. Specifically, it is working to: consolidate its position in bottom-loaded roofs and fixed glass roofs with shades; incorporate panoramic roofs into both fixed and movable sunroofs, so covering the full range; design thinner roofs equipped with flat roller blind technology, necessary for EVs whose batteries are stored under the car; and enhance ambient conditions and comfort by incorporating ambient lighting or spot lights into both roofs and their shades.

International expansion

The 2025 Strategic Plan also sets out a series of milestones tied to the outlook for each geographical region and its automotive sector, also factoring in each division’s specific characteristics. Broadly speaking, the plan is for all the divisions to add capacity and generate new products that add more value and address their customers’ emerging needs. The various sales teams will be required to work to win new customers.

All the divisions plan  
to add capacity and develop  
products that add value  
and address their customers’  
needs by 2025





To measure its progress,  
CIE Automotive is tracking  
almost 80 specific  
KPIs with defined targets  
and timelines



## Key ESG lines of the 2025 Strategic Plan

For the first time, the 2025 Strategic Plan establishes a set of top-down environmental, social and governance targets. All of the group's factories must, with the help and supervision of the cross-cutting Corporate Areas, contribute to their delivery.

To specify and measure progress towards those qualitative goals, CIE Automotive is tracking almost 80 specific KPIs with defined targets and timelines. Those indicators are part of the management plans at all of the company's factories, which report to the Corporate Areas quarterly, half-yearly or annually, depending on the stipulated frequency.

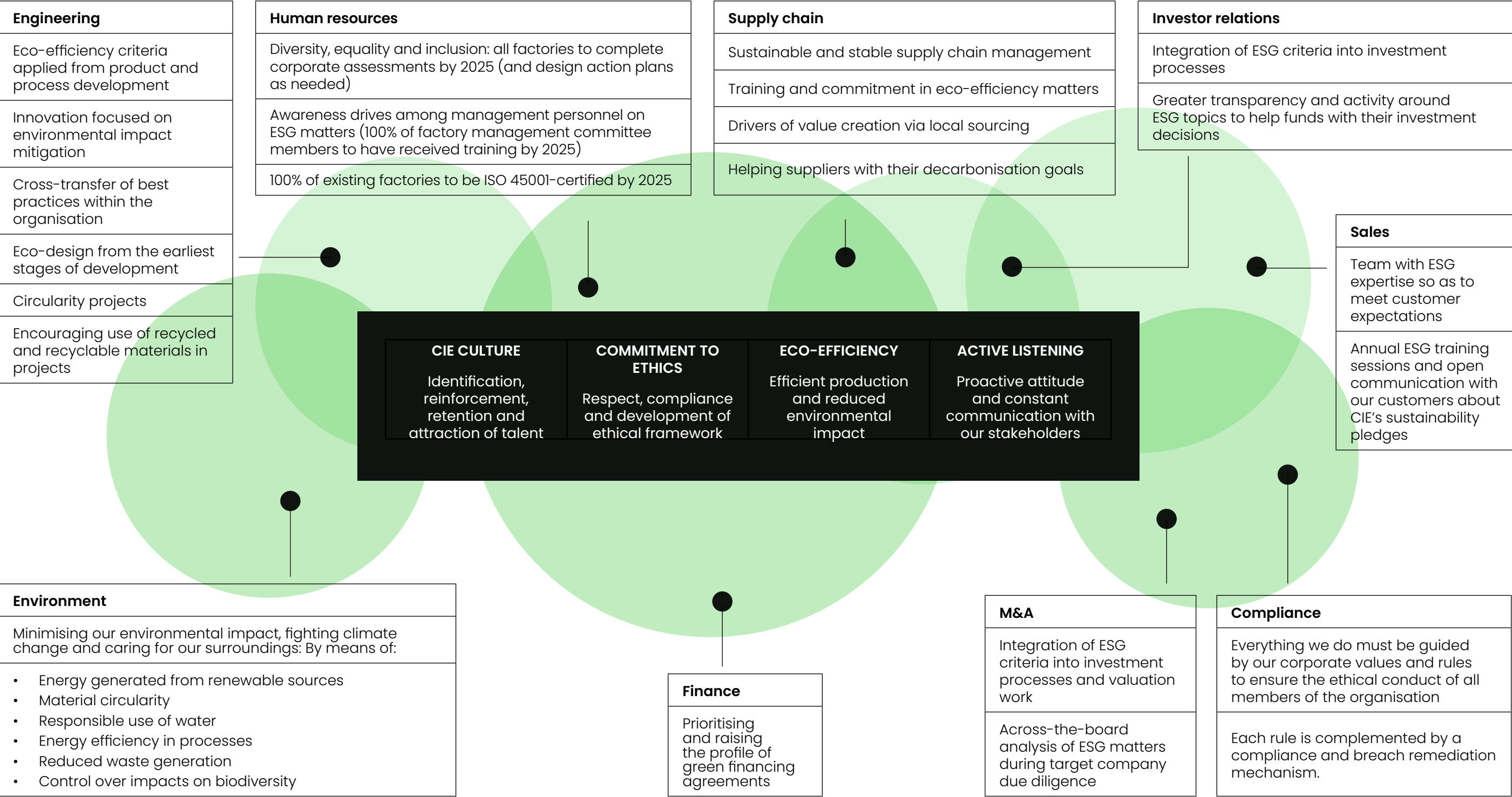
All of that information gets consolidated into a global ESG dashboard hosted within the group's corporate internet. Progress on the various indicators is reported to the Board's ESG Committee and the CEO, who has tasked the Cross-Group ESG Committee with overseeing delivery of the KPIs within each member's purview.

The KPIs are reviewed periodically, in tandem with the company's broader strategic updates, when the latest automotive sector trends, stakeholders demands and legislative developments are reassessed.

Those targets and the work being done by the corporate areas driving their attainment are articulated around four strategic lines of initiative: CIE culture, ethical commitment, eco-efficiency and active listening.

[Refer to the 2025 Strategic Plan available on the corporate web](#)

Commitments by corporate areas



# Progress made in 2022

Despite the complex global situation, CIE Automotive met all the targets it had set for 2022 and continued to work towards delivery of the environmental, social and governance (ESG) milestones established in the 2025 Strategic Plan.

## Delivery of operational lines of the 2025 Strategic Plan

In 2022, CIE Automotive continued to move along the pathway that will lead it to delivery of the long-term earnings targets set in its Strategic Plan in 2025.

|   |                                                                                                                                                                                                                                         |
|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ✓ | <b>Significant market outperformance</b> thanks to real market share gains (greater than the pass-through effect), contributing to delivery of the target of outperforming market <b>growth by 20 points</b> over the term of the Plan. |
| ✓ | <b>EBITDA growth of 12.1% versus 2021</b> , underpinned by unbeaten sector margins*.                                                                                                                                                    |
| ✓ | <b>CAPEX of €200 million</b> , on track for an accumulated €1 billion over five years.                                                                                                                                                  |
| ✓ | <b>Corporate income tax equivalent to 2% of revenue</b> , in line with the strategic target.                                                                                                                                            |
| ✓ | <b>EBITDA-to-cash conversion ratio of 66.1%</b> , in line with 65% strategic target.                                                                                                                                                    |

(\*) The company's margins (%) are not comparable with those of prior years on account of the inflationary environment and activation of the related pass-through clauses.

Delivery of ESG targets of the 2025 Strategic Plan

| COMPLIANCE AREA                                  |        |          |      |
|--------------------------------------------------|--------|----------|------|
| KPI                                              | Target | Deadline | 2022 |
| Employees trained on Code of Conduct             | >95%   | ✓ 2021   | ✓    |
| Organisation of ESG workshops                    | 100%   | 2025     | ✓    |
| Global rollout of Criminal Risk Prevention Model | 100%   | 2025     | ✓    |

| SUPPLY CHAIN AREA                                                                                                                    |        |          |         |
|--------------------------------------------------------------------------------------------------------------------------------------|--------|----------|---------|
| KPI                                                                                                                                  | Target | Deadline | 2022    |
| No. of countries to have embedded ESG criteria into their purchasing processes / Total number of markets in which the group operates | 100%   | ✓ 2021   | ✓ 100%  |
| No. of suppliers with annual purchasing volumes of >€1m that have been audited and/or self-assessed along ESG criteria               | 25%    | 2022     | ✓ 33%   |
| % Local suppliers / Total suppliers over total expenditure during the period                                                         | >70%   | 2023     | ✓ 78.5% |

| ENVIRONMENTAL AREA                                                                                         |                   |          |      |
|------------------------------------------------------------------------------------------------------------|-------------------|----------|------|
| KPI                                                                                                        | Target            | Deadline | 2022 |
| Reduction of energy consumption (KWh/value added)                                                          | 2% annual average | 2025     | ✓    |
| Reduction of direct (Scope 1) GHG emissions (MT CO <sub>2</sub> e)                                         | 2% annual average | 2025     | ✓    |
| Reduction of indirect (Scope 2) GHG emissions produced via the generation of energy (MT CO <sub>2</sub> e) | 5% annual average | 2025     | ✓    |
| Reduction of emissions intensity (MT CO <sub>2</sub> e/value added)                                        | 3% annual average | 2025     | ✓    |

| HUMAN RESOURCES AREA                                                                                 |        |          |      |
|------------------------------------------------------------------------------------------------------|--------|----------|------|
| KPI                                                                                                  | Target | Deadline | 2022 |
| No. of factories to have completed diversity assessment / Total group factories                      | 100%   | 2025     | 50%  |
| No. of factories with ISO 45001 certification / Total group factories                                | 100%   | 2025     | 90%  |
| No. of management personnel trained / Total no. of management personnel to be trained on ESG matters | 100%   | 2025     | 90%  |



| ENGINEERING AREA                                                                                          |                                                                                                                                                                             |          |             |
|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------|
| KPI                                                                                                       | Target                                                                                                                                                                      | Deadline | 2022        |
| No. of production lines to have implemented Industry 4.0 technology initiatives by division or technology | Europe: <b>3</b><br>Asia: <b>1</b><br>America: <b>1</b>                                                                                                                     | 2024     | ✓<br>✓<br>✓ |
| Introduction of circular economy projects to enhance energy consumption                                   | <b>Development</b> of a circular economy project in Europe for extension to another region                                                                                  | 2024     | ✓           |
| % improvement in the gross to net weight ratio                                                            | <b>Europe:</b><br>3% improvement in 2 significant products across 3 technologies<br><b>Rest of world:</b><br>3% improvement in 3 significant products across 3 technologies | 2025     | ✓           |

| SALES AREA                                                                                                              |             |          |                |
|-------------------------------------------------------------------------------------------------------------------------|-------------|----------|----------------|
| KPI                                                                                                                     | Target      | Deadline | 2022           |
| No. of factories self-assessed in NQC with a score of over 80%                                                          | <b>75%</b>  | ✓ 2021   | ✓ <b>79%</b>   |
| Fact-finding mission to determine which platforms each factory uses with its customers for ESG self-assessment purposes | <b>100%</b> | ✓ 2021   | ✓ <b>100%</b>  |
| No. of salespeople to have received training / Total number of sales people                                             | <b>80%</b>  | ✓ 2021   | ✓ <b>100%*</b> |

| M&A AREA                                                               |             |          |                                            |
|------------------------------------------------------------------------|-------------|----------|--------------------------------------------|
| KPI                                                                    | Target      | Deadline | 2022                                       |
| New acquirees to have implemented the ESG Manual / Total new acquirees | <b>100%</b> | ✓ 2021   | No companies were newly integrated in 2022 |

| FINANCE AREA                                                                                           |                |          |               |
|--------------------------------------------------------------------------------------------------------|----------------|----------|---------------|
| KPI                                                                                                    | Target         | Deadline | 2022          |
| Compliance with the requirements stipulated in the first sustainable finance issue until repayment (%) | <b>100%</b>    | ✓ 2021   | ✓ <b>100%</b> |
| ESG financing agreements published (%)                                                                 | <b>100%</b>    | ✓ 2023   | ✓ <b>100%</b> |
| Gross sustainable borrowings / Gross group borrowings                                                  | <b>&gt;50%</b> | ✓ 2025   | ✓ <b>62%</b>  |

| INVESTOR RELATIONS AREA                                                                    |             |          |      |
|--------------------------------------------------------------------------------------------|-------------|----------|------|
| KPI                                                                                        | Target      | Deadline | 2022 |
| No. of key ESG analysts answered / Total key ESG analysts to have contacted CIE Automotive | <b>100%</b> | ✓ 2021   | ✓    |
| Publication of the ESG Plan on the corporate website and intranet                          | <b>100%</b> | ✓ 2021   | ✓    |

(\*) 100% of the commercial teams trained, for which we hold 2 sessions per year.



## MCIE APPROVES THE SALE OF THE GERMANY FORGING BUSINESS TO FOCUS ON INDIA

Framed by its corporate strategy, in December 2022, the Board of Directors of Mahindra CIE agreed to launch the sale process of its Germany forging business, consisting of CIE Forging Germany GmbH and its subsidiaries.

Those companies mainly supply forged parts to the European truck industry.

The rationale for the disposal is to focus MCIE's resources on the growth opportunities emerging in the Indian automotive industry, one of the world's most dynamic and highest potential automotive markets.



# Strategic commitment to innovation

Execution of the 2025 Strategic Plan is underpinned by technology development. In 2022, the Engineering Area focused its work on developing a range of technologies with a view to advancing on eco-efficiency and delivery of the company's environmental and circularity goals. Framed by the key thrusts of the Strategic Plan, it furthered work in its vehicle light-weighting and safety projects, particularly in the areas of suspension and comfort, while continuing to move forward on its Industry 4.0 projects. The R&D Area, meanwhile, centred its efforts on reducing consumption and emissions. Framed by its commitment to the decarbonisation of transport, the company participated in the launch of Basquevolt, the Basque initiative for the production of solid-state batteries.

CIE Automotive is in the midst  
of technological transformation in a bid to reduce its  
corporate footprint and that of its products

## Eco-efficiency and circularity

CIE Automotive is in the midst of technological transformation in a bid to reduce its corporate footprint and that of its products, spurred by its ESG commitments and prevailing market trends. Three of the eco-efficiency indicators set out in the 2025 Strategic Plan are related to engineering projects. Their overriding goal is to measure and promote the efficient use of energy and raw material inputs and drive material and resource circularity.

To achieve those objectives and become more circular, the company is developing a range of different technologies to provide the efficiency and flexibility needed to tackle all the challenges faced in shifting scenarios, reducing its carbon footprint in parallel.



In tandem, it is working to make efficient use of materials, gradually improving its raw material consumption ratios with respect to the end weight of its products, and to directly reduce the weight of its parts.

On the efficiency front, the following projects stand out:

- Introduction of new product functions, so reducing the number of parts.
- Launch of eco-design tools for use in new product and project processes.
- Projects to increase the circularity of polymer transformation technologies.
- Use of new technology to incorporate recycled materials into composite roof frames.
- Innovation in technologies that reduce the use of fuel and chemical products, such as ESG+ technology, in roofs and lateral windows.
- Continuation of the multi-year projects aimed at rationalising the use of raw materials, which are being rolled out across all technologies and regions, developing new process concepts with the potential to directly reduce our scope 3 emissions.

At the forefront of circularity, in 2022, we spoke at the Basque Ecodesign Summit, the most important circularity forum in southern Europe, organised by the Basque Ecodesign Center (BEdC), of which we are a founding partner.

One of BEdC's aims is to spark collaboration and traction in the value chain. CIE Automotive is involved from the R&D phase in order to devise new solutions that help us fight climate change in partnership with suppliers who, despite having clear environmental commitments, need some support in order to get their developments and innovations into end products.

**Vehicle light-weighting**

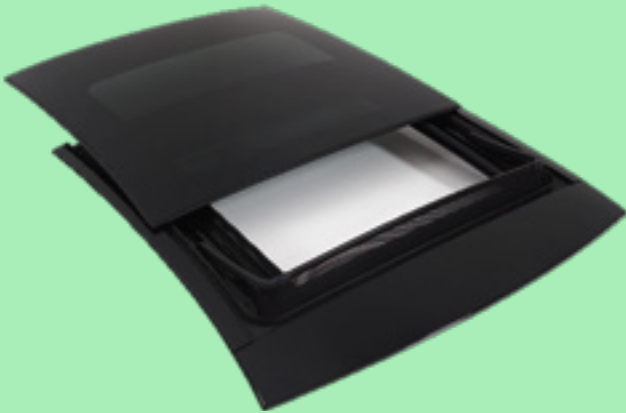
Reducing the weight of the parts we make has a direct impact on vehicle consumption and, as a result, emissions in combustion vehicles and autonomy in electric vehicles. To that end, CIE Automotive has been working on a number of engineering research and development projects in this field:

- Aluminium casting for chassis and suspension parts, achieving very compelling mechanical property ratios relative to weight.
- Technology shift marked by increased use of polymer materials, reducing the bill of materials by adding functions.
- Development of the new thin roof concept which weighs less and takes up less space.
- Reducing roof weights by using resin transfer moulded (RTM) frames.

**Enhanced user experience  
in the comfort area**

- Integration of lighting into glass or shades
- Noise reduction by means of the use of brushless motors
- Shade-glass integration
- Improved user ergonomics by electrifying lateral windows and shades and introducing self-opening luggage covers
- Improved aesthetics and style by means of flush door panes
- Solutions featuring photochromatic glass
- Incorporation of panoramic screens

Thin roof



Flush door pane



## Electric and autonomous vehicles

- Placement of sensors in roofs
- Sliding covers and lids for LiDAR and other sensors

## Industry 4.0 – key to competitiveness and eco-efficiency

CIE Automotive continues to embrace the tools and technologies that will shape the factory of the future, using a growing number of sensors to capture and control data across its equipment and manufacturing lines, increasing the number of in-line collaborative robots and facilitating work with done with human intervention by providing workers with more information, in real time, thanks to new interfaces. Furthermore, data analytics is being used in a growing number of technologies, underpinned by increasingly effective deep learning algorithms accessible in tools requiring low-code programming.

In partnership with Telefónica and NTT DATA, we are working on a pilot project to validate the intralogistics management platform to be implemented during the first quarter of 2023 as an integrating and enabling solution for the automated transport of finished products, using automated guiding vehicles (AGVs) to establish a constant flow of supply and collection of finished product packaging for stacking up high in the warehouse.

The aim of the solution is to increase the flexibility, efficiency and traceability of internal logistics processes by means of smart management of multiple sensors and mobile devices, such as AGVs and autonomous mobile robots (AMRs), integrating them into the factories' existing management systems and other sensors and providing users with visibility and control of the entire operation in real time via 5G, an essential component on account of the massive volume of information, device intensity and wide coverage required in spaces of this kind, as well as the immediacy needed in the overall intralogistics ecosystem.

## Towards transport decarbonisation

Framed by its goal of achieving net zero emissions by 2050 at the latest via the decarbonisation of transportation, CIE Automotive is working on developments in the areas of batteries and power electronics systems in order to continue to increase its penetration of the electrified vehicle, maximising the value it can add thanks to its multitechnology offering.

# PARTICIPATION IN BASQUEVOLT, THE BASQUE SOLID-STATE BATTERY INITIATIVE

At the forefront of the transport decarbonisation thrust, in 2022, CIE Automotive participated in the launch of Basquevolt, the Basque initiative for the production of solid-state batteries planning to build 10 GWh of capacity.

Basquevolt plans to commission a production line in four years' time, entailing €700 million of investment and generating more than 800 direct jobs.

During its initial phase, Basquevolt will be based in the Technology Park in Alava, just a few short metres from CIC energiGUNE. That centre, which will provide Basquevolt with technological support, leveraging more than 10 years of research into solid-state batteries, boasts a team of researchers led by Michel Armand, the 'father' of the solid polymeric electrolyte. More specifically, Basquevolt's technology is based on the use of a composite electrolyte patented by the Basque centre.

The consortium of founding investors backing the project, spearheaded by the Basque regional government, includes, in addition to CIE Automotive, Iberdrola, Enagás, EIT InnoEnergy and CIC energiGUNE, whose

research work has facilitated development of the initiative. CDTI, the Centre for the Development of Industrial Technology, a public entity, has since joined the consortium via the Invierte programme.

The experience brought by the initial group of investors ensures that Basquevolt is in a very competitive position in both the battery race, where there are major opportunities for partnership, and in the energy storage industry, which is crucial to making progress on the energy transition.

Basquevolt's backers are aware that lithium-ion batteries are reaching maturity and that the technological leap required to truly release the full potential of energy storage needs to come from solid-state batteries. The entity's initial goals include developing prototype cells and a pilot production line by 2025, with the aim of starting to produce batteries in 2027. The new technology delivers major advances on the energy density of the current storage solutions.

Just recently the journal, Business Worldwide, included Basquevolt on its list of the 20 "Most Innovative Companies to Watch".

KEY 3

# We perform well in complex environments

We cannot change everything around us but we can change how we approach things: we turn obstacles into challenges and draw out opportunities. No matter how adverse the situation, at CIE Automotive never shy away from continuous improvement and we strive to outdo ourselves year after year to deliver the best possible results.

Economic and sector context

Earnings performance

Financial situation

We have a solid business model

We are being guided by a sustainable strategy

We perform well in complex environments

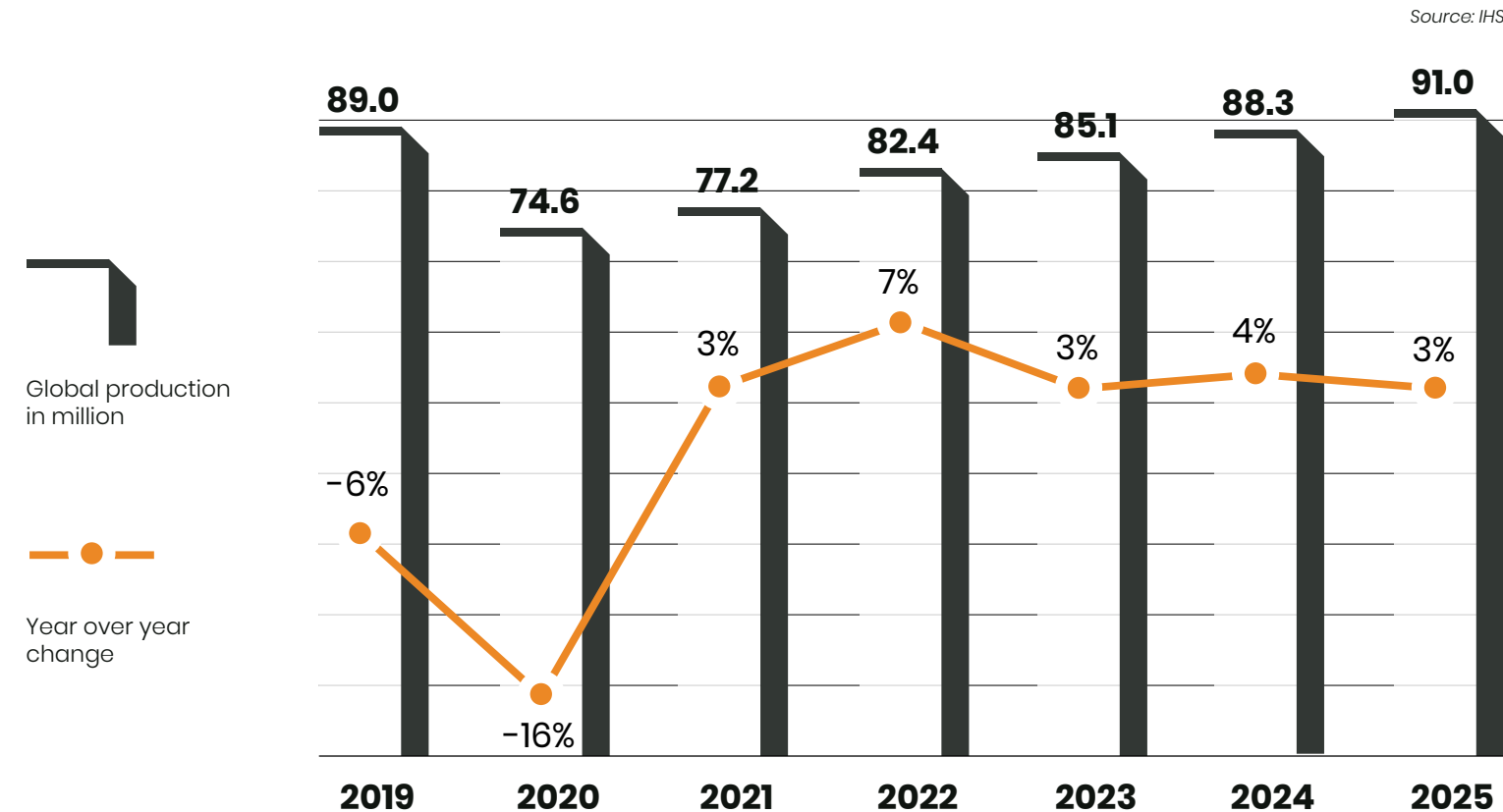
We collaborate with our stakeholders

We manage ethically and effectively

# Economic and sector context

CIE Automotive overcame again a very adverse health, macroeconomic and sector situation in 2022. Following the disruption induced by the fresh outbreak of COVID-19 in Asia and the persistence of the semiconductor chip crisis, the automotive value chain was hit by Russia’s invasion of Ukraine, which triggered growth in production costs and a shortage of certain materials. In that hostile environment, the global automotive industry was unable to recover pre-pandemic production levels, manufacturing 82.4 million vehicles last year, 7% below the 2019 mark.

## GLOBAL PRODUCTION Performance and outlook



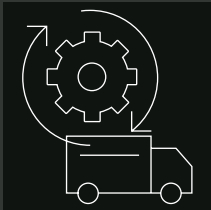


# Factors influencing supply



## Surge in energy prices

The energy crisis, induced initially by the brisk recovery of the global economy in the wake of the pandemic, deepened as Russia started to limit its natural gas exports, pushing energy costs higher and stoking fears of possible rationalisation towards the winter and forcing the closure of some of the factories in the central European countries more dependent on Russian gas.



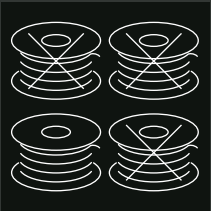
## Logistics

Weaknesses in the transport sector are also affecting the automotive industry. COVID, business instability and the surge in costs have prompted many car carrier trailer drivers to switch line of work. Given the difficulty in replacing those drivers, vehicles piled up in some ports due to the impossibility of getting them to their final destinations.



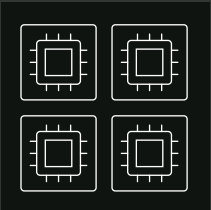
## Material scarcity and inflation

Not only did microchips run short, other materials, including plastic, zinc, nickel, cobalt and platinum, became scarce and more expensive, translating into a trickle of production stoppages and ultimately prompting the OEMs to increase the prices of new cars.



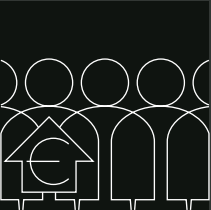
## Scarcity of wire harnesses

Logistics issues persisted and some of the European OEMs had to pause their production, this time due to the stoppage of production in Ukraine of wire harnesses essential for the manufacture of vehicles. Fortunately that situation was resolved by locating suppliers in other countries (Eastern Europe, China, Mexico, Morocco and Turkey) and later the resumption of harness assembly in the occupied country.



## Chip crisis

Having already provoked massive bottlenecks in 2021, difficulties locating the semiconductor chips needed to build cars continued in 2022. Although the situation improved during the second half of the year with growth in microchip production and the start-up of greenfield chip factories, political and military tension around Taiwan, the world's biggest chip maker, slowed the sector's recovery by de facto blockading that island's traffic.



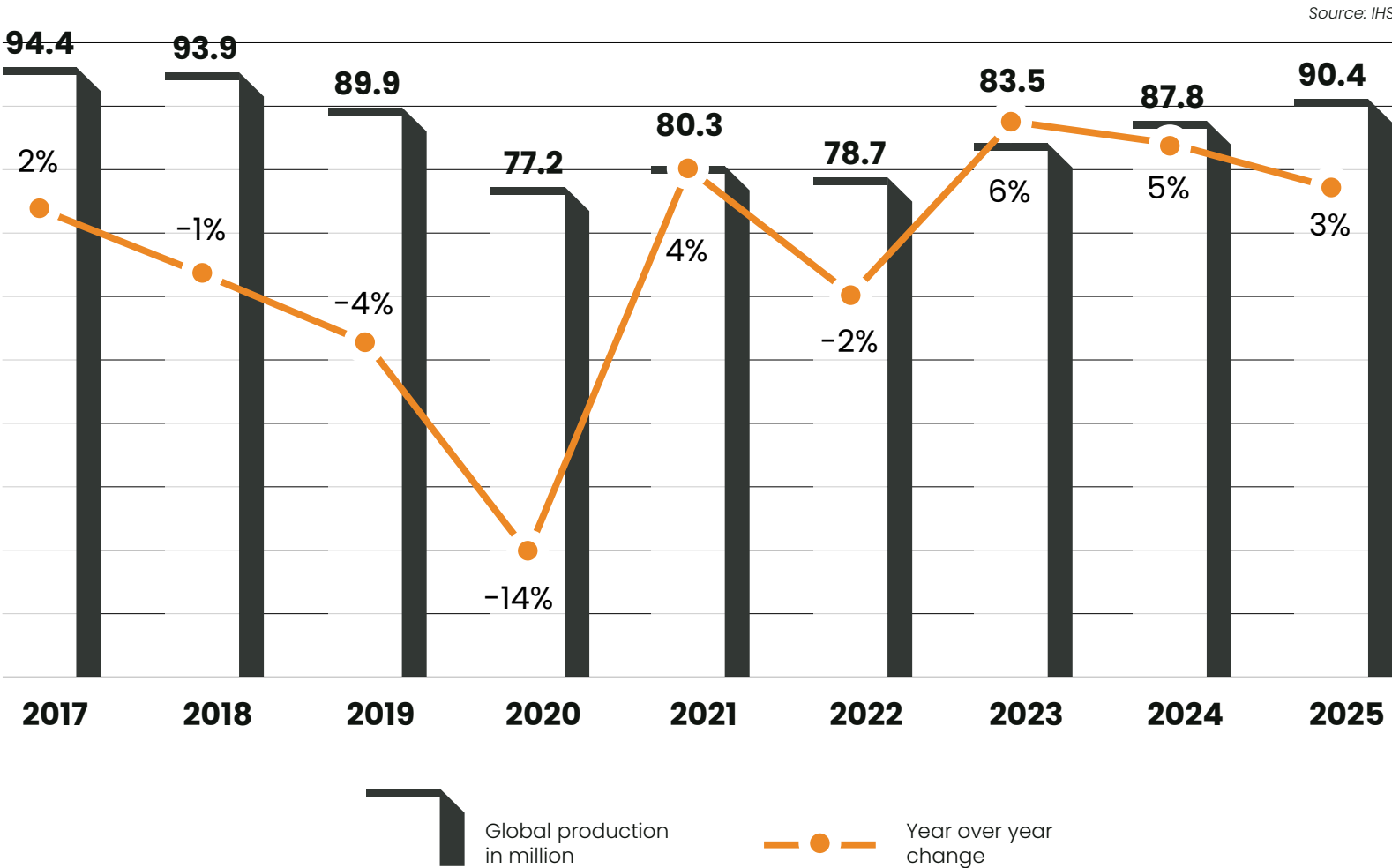
## Manpower

Rampant inflation drove up labour costs in United States (a situation aggravated by a lack of manpower), where they are already higher than in other regions.

The armed conflict in Ukraine, which began in February 2022, exacerbated some of the problems already hindering the recovery of the automotive sector and its auxiliary industry.

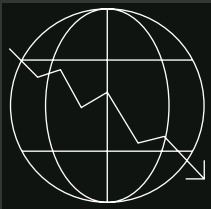
Car sales totalled  
78.7 million in 2022,  
down 2% from 2021 and  
till well below  
the peak of 2017

GLOBAL SALES  
Performance and outlook



# Factors impacting demand

Demand was held back by macroeconomic factors such as high inflation and the ensuing interest rate increases, as well as the fear of a recession in United States and Europe, which could drag the rest of the global economy down with them.



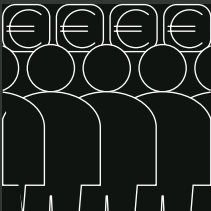
## Global slowdown

According to the International Monetary Fund (IMF) estimates as of October 2022, global growth is expected to slow down from 6% in 2021 to 3.2% in 2022, the weakest growth pattern since 2001, leaving aside the Great Financial Crisis and the height of the COVID-19 crisis.



## Rising inflation and rates

Global inflation jumped from 4.8% in 2021 to 8.8% in 2022, but is expected to come down over the next two years, according to the IMF. To address the inflation problem, the central banks raised their benchmark interest rates from record low, which, coupled with the rising cost of living, weighed on demand and pushed back the anticipated recovery.



## Pent-up demand

The constraints on the supply side once again limited demand for vehicles, as potential buyers opted to wait for a better moment to purchase a new car. That has created pent-up demand for vehicles that is likely to be released as soon as the supply side issues are resolved.

## Consolidation in the parts sector

In such a complex market, the weaker parts suppliers were unable to withstand the surge in inflation. Incapable of passing higher energy and raw material prices on to their customers, some were forced to close their doors.

The most solid players benefitted from that natural squeeze-out and some, including CIE Automotive, took advantage of the opportunity to increase their market share.

## Outlook for the global automotive market

Vehicle production is expected to slowly increase from current low levels in 2023, thanks to gradual resolution of the shortage of chips and other materials, as well as other region-specific growth factors. The experts are forecasting annual growth in global production of 3% to 85.1 million vehicles.



## Automotive sector trends and outlook by region

The geopolitical climate in the wake of Russia's invasion of Ukraine and the spectre of a possible global recession shaped the automotive sector's performance in 2022, which nevertheless performed very differently in CIE Automotive's various markets. While Europe, and to a lesser extent, United States, were burdened all year long by inflationary pressure and economic uncertainty, other markets such as China, Brazil and India resumed healthier growth after pauses in activity at some factories on account of the Omicron variant during the first half of the year.

### North America

Vehicle production in United States, Canada and Mexico increased by 10% to 14.3 million units. However, despite strong demand, high prices and still-low inventory levels, vehicle production is not back at pre-pandemic levels.

That underperformance is expected to continue in 2023, when production growth is forecast at 5% to 15.1 million vehicles. From there on, the historically low level of inventories, coupled with a stronger macroeconomic context relative to Europe, is expected to drive sustained growth in vehicle production, with the North American market forecast to revisit pre-pandemic levels in 2025.

As in Europe, due to an ageing vehicle stock and demand pent up as demand because of production bottlenecks, despite the potential impact on purchasing of a possible recession, demand could to hold up, albeit shifting to more affordable models.

### Europe

Europe was the softest automotive market: production contracted by 1% to 15.4 million vehicles. The conflict in Ukraine sent the costs of energy, transport and other key inputs soaring. That situation, coupled with the scarcity of chips and stoppage of the Russian factories, shaped the contraction in output.

The European Commission attempted to offset the effects of the war by publishing a new State aid Temporary Framework to support the economy in the context of Russia's war against Ukraine, allowing member states to mitigate the impact on energy prices and of the latter on other inputs and products.

Rollout of that aid by the various European governments and the contingency measures taken by the industry to tackle the various crises, coupled with an ageing stock of vehicles and the existence of pent-up demand, is expected to drive growth in production of 5% in 2023 (compared to a easy comparable 2022) to 16.1 million vehicles, which would imply revisiting 2020 volumes.

Demand, meanwhile, could shift towards the lower price points in light of the deteriorating environment.

## Brazil

Having improved steadily month after month, Brazil produced 2.2 million vehicles in 2022, which is 5% more than in 2021 but still 20% below pre-pandemic levels.

The market is expected to grow by a further 5% in 2023 and to then continue to recover gradually to attain pre-pandemic production levels of 2.8 million vehicles by 2026, all of which driven by strong demand, pent up on account of supply chain bottlenecks, particularly the shortage of microchips.

## India

Vehicle production in India jumped 23% to 5.1 million units to rank the country as the world's fourth-biggest car producer. That growth is all the more noteworthy considering the fact that the Indian market had already recovered pre-pandemic levels in 2021.

The keys to that remarkable growth lies with a combination of very low car penetration levels, a burgeoning incipient middle class, significant pent-up demand in the wake of the pandemic and relatively fewer supply side disruptions.

It is worth highlighting the healthy performance in and outlook for segments other than the passenger vehicle market, including tractors and light commercial vehicles. The motorbike segment is expected to benefit from financing facilities, the replacement cycle and rural recovery.

Fuelled by those drivers, the growth forecast in GDP in India and structural considerations more conducive to the receipt of foreign investments (language, wages, etc.), production is expected to increase by 7% in 2023.

## China

The Chinese market registered growth of 6% despite the lockdowns ordered throughout the year on account of the Asian giant's "zero Covid" policy. The automotive sector, which had already revisited pre-pandemic levels by 2021, did not suffer from the bottlenecks faced in other markets and was buoyed by the government incentives for the purchase of cars to revitalise a sector deemed critical to the national economy.

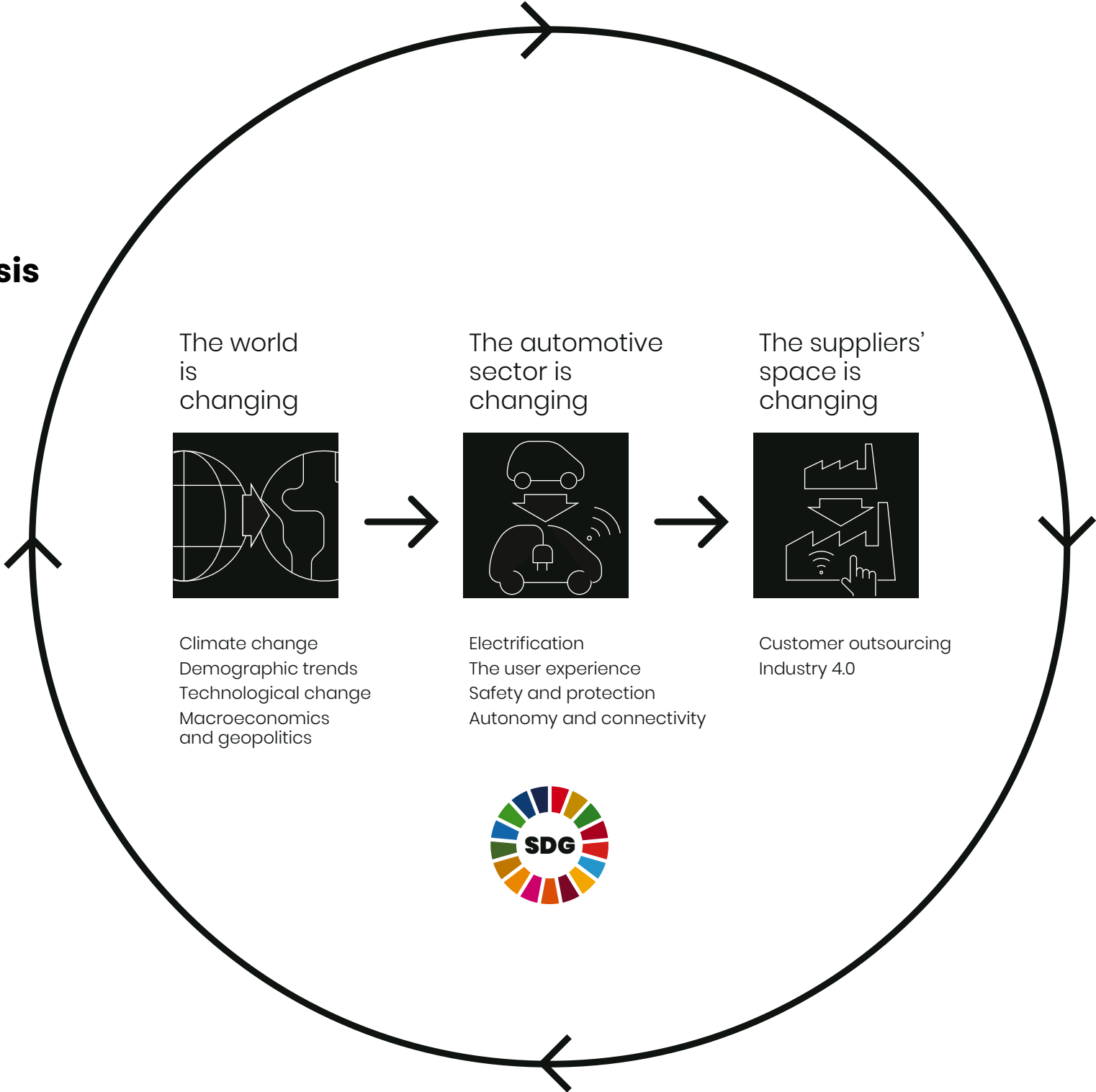
Current forecasts point to ongoing growth in production of 1% in 2023 to 26.6 million vehicles, slowing from 2022 but gradually zeroing in on the country's all-time record of 28 million vehicles, which is expected to be beaten in 2024. That growth is predicated in part on government aid and in part on other factors, such as upside in household income in the lower-income cities, a new cycle of vehicle replacements and a drop in prices on the back of more intense competition.

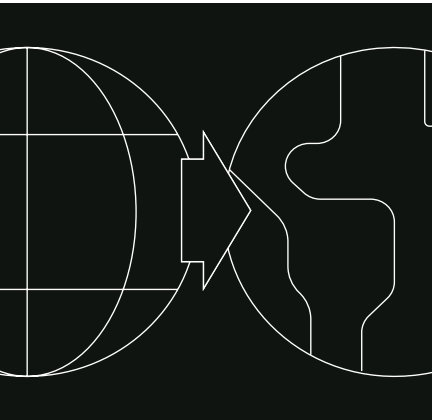
# Key trends in the automotive sector

In recent years, automotive parts suppliers, including CIE Automotive, have been showcasing their ability to react and adapt to the far-reaching changes affecting society and the automotive sector. Beyond the flexibility displayed around the COVID-19 pandemic, the parts makers are helping the OEMs address a number of trends emanating from society demands, which will translate into new mobility solutions and changes in manufacturing models.

Below is an account of the key trends affecting the automotive sector.

## Sector analysis





# The world is changing

## Climate change

The environmental laws written to combat climate change are coming faster and are becoming more ambitious and global in reach. Climate change regulations are tackling two key fronts. Firstly, they are requiring the use of greener energy sources, focused primarily on electrification. Secondly, all sector players must mitigate their carbon footprints taking a lifecycle approach.

## Demographic trends

There are many opposing demographic trends unfolding simultaneously around the world whose ultimate effect on the automotive sector should be positive, on the whole.

- More than half of forecast population growth is concentrated in Africa, but the most of the world's population is located in Asia (60%), with Europe losing share (10%).
- Life expectancy is rising and birth rates dropping, which means population is ageing.
- Urbanisation is a parallel trend and we are also seeing – mainly regional – migratory displacements of populations.

## Technological change

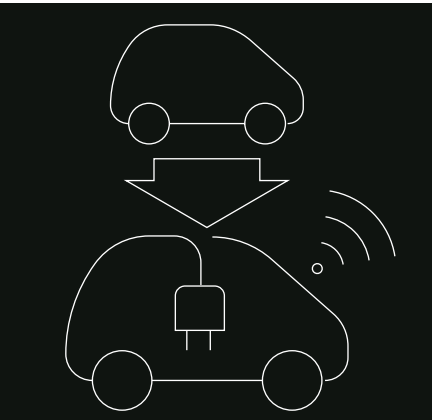
The world is moving towards a Fourth Industrial Revolution, which will change our lives and make productive processes, including those of the automotive sector, more efficient.

The emerging improved and more efficient vehicle architectures are based on the use of the right materials and their correct application, which means that different technologies will have a role to play in the next-generation, multi-material vehicles.

## Macroeconomics and geopolitics

- Emerging market opportunities: the Chinese, Indian and Brazilian economies, to name a few, are expected to experience sharp growth in the coming years.
- National protectionism: initially perceived as a threat, protectionist strategies are no longer expected to have a significant impact on the automotive sector.





# The automotive sector is changing

## Electrification

With the aim of curbing climate change, the automotive industry is investing heavily in R&D oriented around transport decarbonisation. Despite those efforts, EV penetration rates vary significantly from one market to the next and we are likely to see vehicles fuelled by different sources of energy coexist for some time.

## User experience

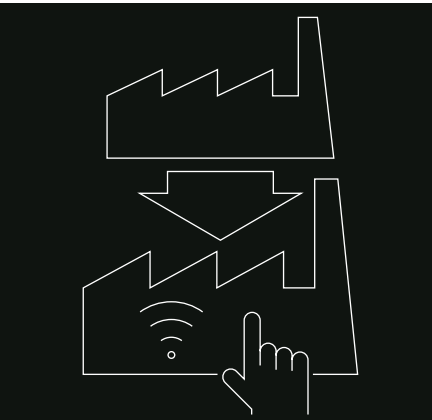
Car buyers' preferences have shifted. Nowadays they are looking for aspects related with comfort, such as spaciousness, driver assistance and smart infrastructure, to the detriment of other attributes such as power, aerodynamics and external aesthetics. Within the comfort thrust, the penetration of roof systems is outpacing the general automotive market.

## Safety and protection

Vehicle safety prioritisation is making manufacturing more complex and increasing the number of parts and their added value. Today's cars are being fitted with sophisticated driver assistance systems that prevent accidents and other passive safety systems designed to mitigate damage and injuries in the event of a collision; those systems are being embedded in the chassis and bodywork, for example, as well as shaping seatbelt and airbag development.

## Autonomous and connected car

Major progress has been made on autonomous driving in recent years, thanks to which important driver assistance features have been introduced to new cars. However, the mainstreaming of the autonomous car in the coming years continues to face obstacles. In parallel, users are demanding greater connectivity between their cars and the outside world (virtual assistants, automation, etc.), all of which requires establishing high-speed connections. The OEMs are therefore expected to partner with technology, telephony and infrastructure providers.



# The suppliers' space is changing

## Production outsourcing

The OEMs are increasingly outsourcing production of their vehicles to their suppliers who nowadays account for over 75% of total vehicle value, in order to concentrate on their core competencies.

## Industry 4.0

The automotive supplier sector is investing heavily in R&D in order to build so-called smart factories: cloud platforms, simulation capabilities, cognitive manufacturing and online robotics. In the years to come thousands of digital companies are expected to shake up the existing automotive sector's supply chain.

Parts suppliers account for  
**over 75% of total vehicle value**

**ESG context:  
sustainable  
development goals  
(SDGs)**

In September 2015, the world’s leaders, gathered at the UN’s General Assembly, committed to a set of global goals, a universal call to action, to end poverty, protect the planet and ensure that all people enjoy peace and prosperity: the Sustainable Development Goals (SDGs). Each goal has a series of specific targets that must be met by 2030.

Those commitments affect all areas of the economy, including the automotive sector. They are particularly relevant to the decarbonisation of transport but also touch on other aspects such as protection of the environment and progress of society.

**The automotive sector is destined to play a key role in delivery of the 2030 Agenda, most particularly the decarbonisation thrust**





# Earnings performance

**CIE Automotive reported record revenue and profits in 2022 despite the difficulties engulfing the automotive sector, still fragile in the wake of the pandemic and rampant inflation in commodity and energy prices. In that complex environment, the company's revenue outperformed the market by nine points, increasing by 24.1%, once again demonstrating the solidity of CIE Automotive's business model and the merit of articulating its business strategy around cash generation.**

2022 confirmed CIE Automotive's resilience in the face of adverse circumstances. Net profit increased by 12.2% to €300.1 million, driven by sharp revenue growth (+24.1%), to €3.84 billion, and healthy profit margins (EBITDA margin: 16.5%, EBIT margin: 11.6%), despite the run-up in the cost of its inputs and the impact of the energy crisis.

## 2022 EARNINGS \*

| € M                 | 2021    | 2022    | Var. % |
|---------------------|---------|---------|--------|
| Revenue             | 3,093.3 | 3,838.6 | 24.1%  |
| EBITDA **           | 565.0   | 633.4   | 12.1%  |
| EBITDA margin % *** | 18.3%   | 16.5%   |        |
| EBIT **             | 401.9   | 446.7   | 11.2%  |
| EBIT margin %       | 13.0%   | 11.6%   |        |
| Net profit **       | 267.5   | 300.1   | 12.2%  |

All lines of the company's statement of profit or loss evidence the business's robust health. EBITDA increased by 12.1% to €633.4 million, while EBIT was 11.2% higher at €446.7 million. Note that the company's EBITDA and EBIT margins are not comparable with those of prior years on account of the high prevailing inflation and the resulting activation of pass-through clauses, so it is necessary to focus on the absolute numbers, which are fully comparable and reveal an excellent earnings performance. Excludes the interrupted German forging business.

(\*) Under applicable accounting rules, following the decision to put the German forging business up for sale, the results of CIE Forging Germany GmbH and its subsidiaries were reclassified as discontinued operations in the 2021 and 2022 statements of profit or loss.

The figures for the German forging business not included: revenue of €175.8m in 2021 and €230.1m in 2022; EBITDA of €9.6m in 2021 and €19.7m in 2022; and EBIT of €1.6m in 2021 and €12.7m in 2022.

(\*\*) EBITDA: earnings before interest, tax, depreciation and amortisation; EBIT: earnings before interest and tax; Net profit: Profit attributable to owners of the parent.

(\*\*\*) The company's margins (%) are not comparable with those of prior years on account of the inflationary environment and activation of the related pass-through clauses.

**For further information, refer to "MCIE approves the sale of the Germany forging business to focus on India"**

The company's strong topline momentum, 9.7 points above market growth in constant exchange rate, and the ability to defend its margins are largely attributable to the absorption of market share from smaller-sized competitors that were not able to survive the sector's challenges. In addition to market consolidation, a number of factors explain our earnings growth: activation of our pass-through clauses to pass on the bulk of the increase in the cost of inputs; our strategic commitment to local suppliers to avoid transport costs and logistics issues; process efficiency gains underpinned by very low consumption ratios in manufacturing; stringent control over investments in maintenance and capacity; and decentralised management.

Those managerial merits enabled CIE Automotive to convert 66.1% of its EBITDA into cash from operations, in line with the target set in its 2025 Strategic Plan. Virtually all of that cash was used to remunerate the company's shareholders, not only via dividends (€88.2 million) but also by buying back shares for subsequent cancellation and repurchasing shares from minority interests in MCIE, all the most value-generating transactions.

Refer to "Shareholders" for more information

Capital expenditure

The complexity of the prevailing situation is accelerating the concentration of business volumes among a smaller number of suppliers, a process underway in the sector for some time. CIE Automotive continues to be one of the biggest beneficiaries from that situation and its strong organic growth is behind the investments made in 2022.

The company therefore continued to invest in maintaining and expanding its capacity in response to its customers' needs. It is worth highlighting the new CIE Hosur factory, devoted to the manufacture of forged machined parts, CIE Golde Pune, the first roof system manufacturing facility in India and the expansion of the new gear factory in Rajkot.

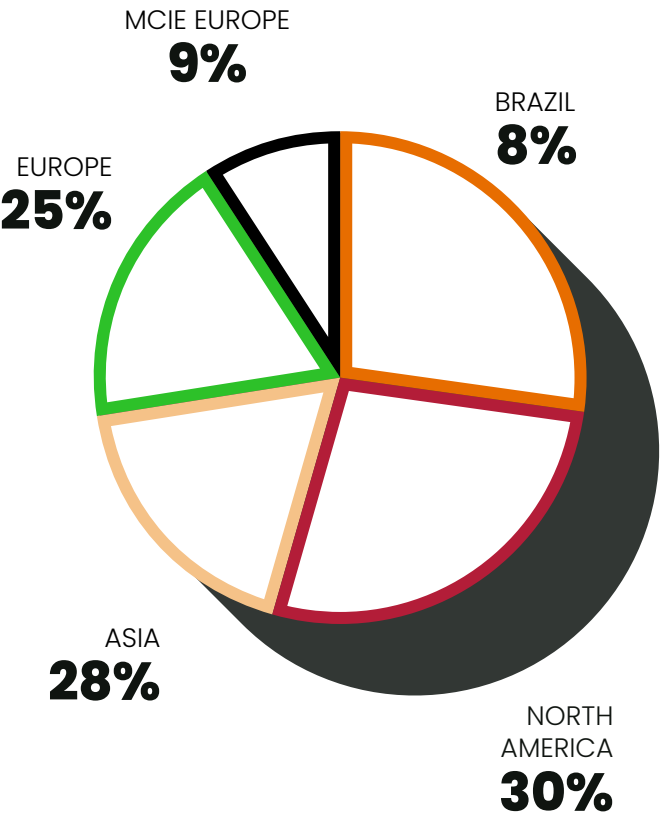
In 2022, we saw more value in focusing exclusively on organic growth rather than pursuing acquisitions, as there are many companies in critical condition whose viability is not easy to judge at present. Moreover, many of those struggling suppliers' customers are deviating business to companies of the calibre of CIE Automotive, further bolstering our organic growth.

EARNINGS BY REGION

All markets and divisions made a positive contribution, reporting double-digit margins in spite of the challenging backdrop.

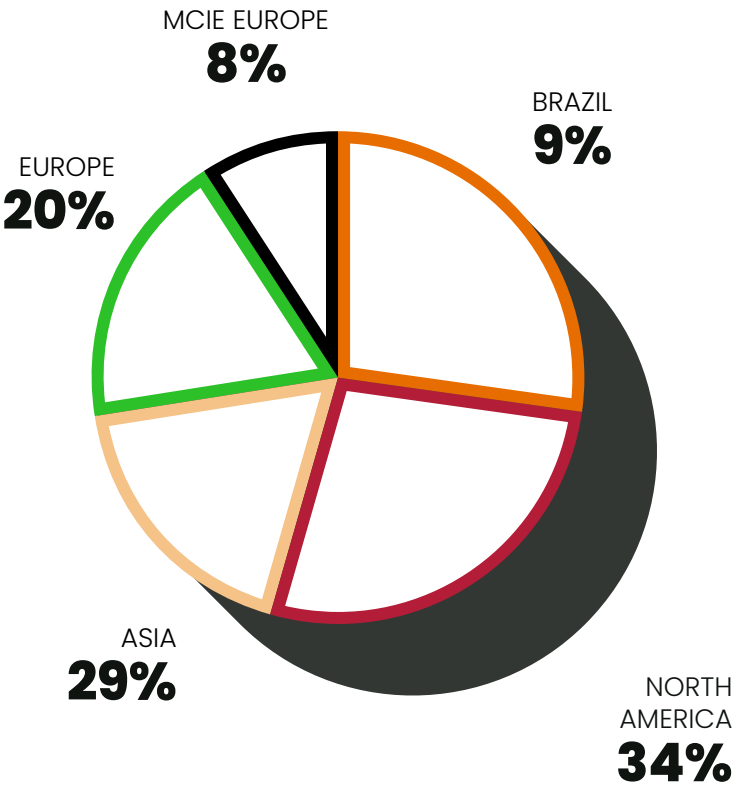
Revenue contribution

Percentage



EBITDA contribution

Percentage



## Europe

In Europe, CIE Automotive generated €1.31 billion of revenue, growth of 18.9% from 2021, quite an achievement considering the market contraction induced by the war on the continent, which drove high energy and transport prices even higher and caused a trickle of vehicle production stoppages when Ukraine closed its wire harness factories, not to mention the lingering chip crisis. That performance is even more remarkable considering the fact that the European operations encompass aluminium (the most energy intensive), machining, forging and plastic divisions.

Despite that complex backdrop, margins remained in the double digits, thanks to the existence of contractual pass-

through clauses for raw material costs and negotiations to pass the growth in energy costs along to customers. All segments benefitted from consolidation of the parts sector as the most fragile suppliers went out of business, albeit not immune from the ramifications of the war and the uncertainty created by the impact of a possible recession and additional rate hikes on potential car buyers.

The below figures for MCIE exclude the German forging business following the sale decision taken last December, which prompted the reclassification of the 2021 and 2022 results and net assets of CIE Forging Germany GmbH and its subsidiaries as discontinued operations.

### CIE Automotive's traditional European factories

|               |                |                        |
|---------------|----------------|------------------------|
| Revenue       | 14.1% vs 2021  | MARKET<br><b>-1.3%</b> |
|               | €955.5 million |                        |
| EBITDA margin | 13.1%          |                        |
|               | €125.3 million |                        |
| EBIT margin   | 5.7%           |                        |
|               | €54.5 million  |                        |

### MCIE European factories\*

|               |                |                        |
|---------------|----------------|------------------------|
| Revenue       | 34% vs 2021    | MARKET<br><b>-1.3%</b> |
|               | €353.2 million |                        |
| EBITDA margin | 14.6%          |                        |
|               | €51.5 million  |                        |
| EBIT margin   | 11.3%          |                        |
|               | €39.9 million  |                        |

## North America

The North American factories reported €1.14 billion of revenue, up 30.6% from 2021 (+16.3% in constant currencies), compared to market growth of 9.7%. That growth is all the more remarkable considering the increase in labour costs and shortage of manpower, which led CIE Automotive to increase automation across its facilities. The efficiency measures taken at the company's factories in Mexico and United States were key to unlocking margin expansion to levels similar to those observed prior to the pandemic, despite the fact that sales continued to be undermined by weak demand and supply chain bottlenecks.

### North America factories

|               |                                                 |                        |
|---------------|-------------------------------------------------|------------------------|
| Revenue       | 30.6% vs 2021<br>(16.3% in constant currencies) | MARKET<br><b>+9.7%</b> |
|               | €1,139.6 million                                |                        |
| EBITDA margin | 18.6%                                           |                        |
|               | €212.3 million                                  |                        |
| EBIT margin   | 14.1%                                           |                        |
|               | €160.3 million                                  |                        |

(\*) Under applicable accounting rules, following the decision to put the German forging business up for sale, the results of CIE Forging Germany GmbH and its subsidiaries were reclassified as discontinued operations in the 2021 and 2022 statements of profit and loss.

Brazil

In Brazil, CIE Automotive reported revenue of €311.2 million, growth of 44.1% from 2021 (+22.9% in constant currencies), compared to market growth of 5.1%. The company navigated a complex market environment (unemployment, rising interest rates, political instability, etc.) in which demand for SUVs and pickup trucks remained strong, translating into long waiting lists.

Brazil factories

|               |                                                 |                    |
|---------------|-------------------------------------------------|--------------------|
| Revenue       | 44.1% vs 2021<br>(22.9% in constant currencies) | MARKET<br><br>5.1% |
|               | €311.2 million                                  |                    |
| EBITDA margin | 18.7%                                           |                    |
|               | €58.1 million                                   |                    |
| EBIT margin   | 14.9%                                           |                    |
|               | €46.4 million                                   |                    |

Asia

In India, CIE Automotive generated €634.3 million of revenue, growth of 36.8%, and continued high profit margins. The company managed to make the most of the momentum in demand, which rebounded in the wake of the chip crisis and was reinforced by enthusiasm for popular Hindu festivals (Diwali, Dusshera) after being cancelled for two years. The company's excellent margins were also shaped by measures taken to boost efficiency.

India factories

|               |                |                      |
|---------------|----------------|----------------------|
| Revenue       | 36.8% vs 2021  | MARKET<br><br>+23.5% |
|               | €634.3 million |                      |
| EBITDA margin | 16.3%          |                      |
|               | €103.2 million |                      |
| EBIT margin   | 12.4%          |                      |
|               | €78.6 million  |                      |

In China, revenue increased by 1.1% and was accompanied by high EBITDA and EBIT margins in a market which registered solid growth, despite lingering weakness due to the zero COVID policy, partially offset by incentives for the purchase of cars, some of which will be carried over to 2023. Despite the company's strong performance, revenue underperformed the market due to reduced exposure to the Chinese OEMs, which are recently driving the growth in China.

China factories

|               |                |                     |
|---------------|----------------|---------------------|
| Revenue       | 1.1% vs 2021   | MARKET<br><br>+6.3% |
|               | €444.8 million |                     |
| EBITDA margin | 18.7%          |                     |
|               | €83.0 million  |                     |
| EBIT margin   | 15.1%          |                     |
|               | €67 million    |                     |



# Financial situation

**Strong operating cash flow generation, of €402.8 million, and investment discipline in facility maintenance and capacity expansion enabled debt reduction to €1.29 billion (€1.27 billion adjusting for the group's 50% interest in the Chinese JV, SAMAP), with adjusted net debt dropping to 1.98x EBITDA, in line with the target set in the 2025 Strategic Plan.**

CIE Automotive net debt stood at €1.29 billion at year-end, compared to €1.39 billion at December 2021. Adjusted net debt, i.e., adjusting for the group's 50% interest in the Chinese joint venture, SAMAP, amounted to €1.27 billion, compared to €1.38 billion a year earlier. That implies a leverage ratio of 1.98x. (adjusted net debt to EBITDA), down from last year, thanks to €402.8 million of operating cash flow (€317.1 million after working capital and growth CAPEX), leaving the company in a comfortable financial position.

The scale of the deleveraging is particularly noteworthy considering the fact that the company earmarked €154.8 million to shareholder remuneration, the investment which the company believed would generate the most value in 2022, via dividend payments and share repurchases, and a further €57 million to buying shares in MCIE. Without those transactions, leverage would already be at 1.65 times EBITDA.

### COMPARATIVE BALANCE SHEET

| € M                                 | 2021           | 2022           |
|-------------------------------------|----------------|----------------|
| Fixed assets                        | 3,490.3        | 3,560.8        |
| Net working capital                 | (425.2)        | (501.0)        |
| <b>Total net assets</b>             | <b>3,065.1</b> | <b>3,059.8</b> |
| Equity                              | 1,367.6        | 1,504.6        |
| Net debt                            | 1,394.9        | 1,289.8        |
| Other (net)                         | 302.6          | 265.4          |
| <b>Total equity and liabilities</b> | <b>3,065.1</b> | <b>3,059.8</b> |

### FINANCIAL RATIOS

|                           | 2021        | 2022        |
|---------------------------|-------------|-------------|
| Adjusted net debt/EBITDA* | 2.37        | 1.98        |
| Net debt/equity           | 1.0         | 0.86        |
| <b>Leverage ratio</b>     | <b>0.50</b> | <b>0.46</b> |

(\*) Net debt and EBITDA figures adjusted for the group's 50% interest in the Chinese JV, SAMAP.

Financing

At year-end, CIE Automotive had drawn down €117 million under its credit facilities. The limit on those facilities is €794 million, leaving the company with €677 million of undrawn loans and credit facilities.

The group’s policy is to diversify its financing sources. There is no concentration risk in respect of its bank borrowings as it works with multiple entities.

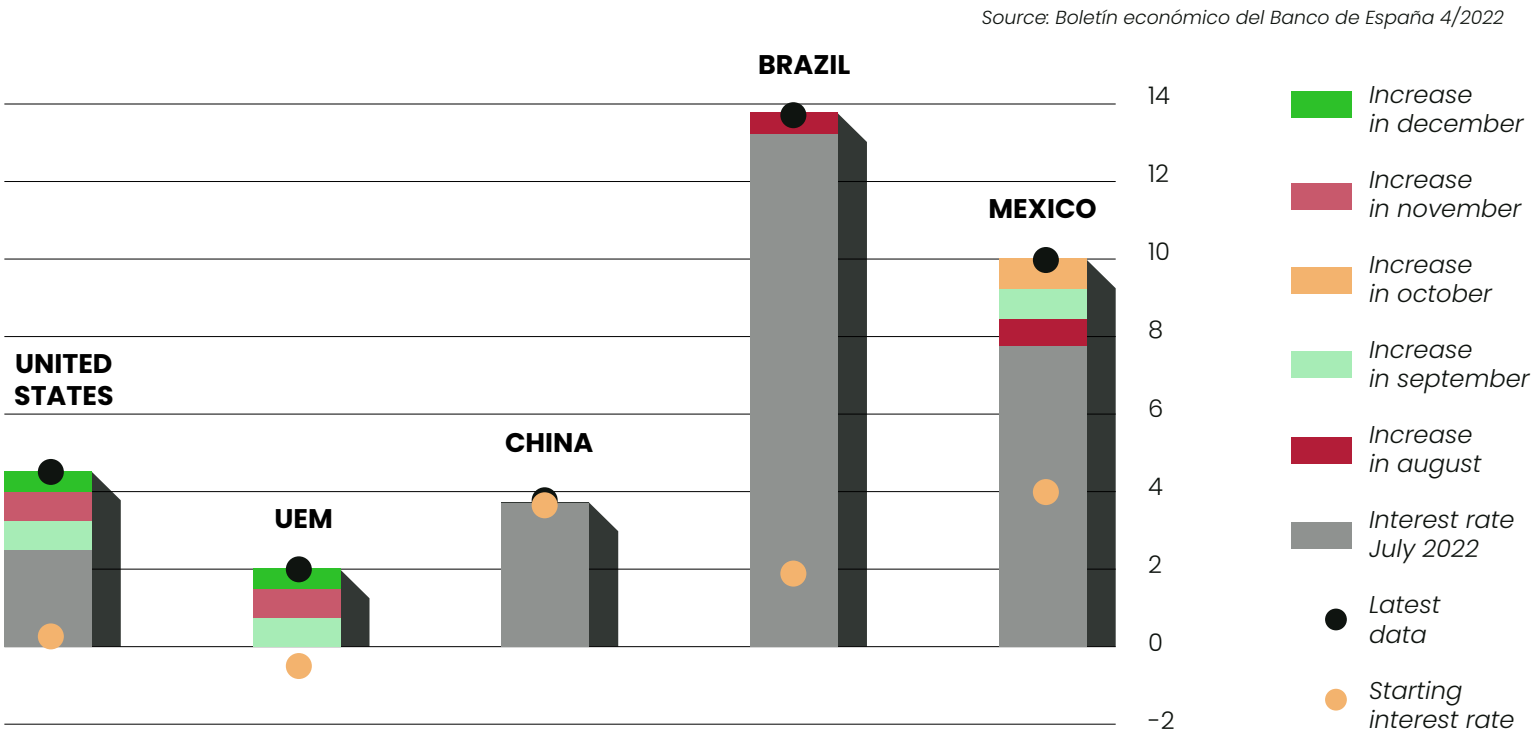
Strategy vis-à-vis rising interest rates

2022 will go down in history as the end of the greatest ever experiment in expansionary monetary policy at the global level. Throughout the year, more intensely during the second half, 90% of the world’s central banks raised their benchmark rates with unprecedented speed. The US, initially, and Europe, later, spearheaded that policy shift. The Federal Reserve began to lift rates from 0%-0.25% in March, raising them to 4.25%-4.50% by the end of the year, after seven successive hikes. In Europe, the ECB raised its deposit rate from -0.5% in July to 2% by December.

That shift had a significant effect on all kinds of financial assets, particularly fixed income assets, which had their worst year in over a century, with all tenors of the dollar and euro yield curves affected. In United States, the yield on 10Y Treasuries went from 1.5% to a high of 4.25% in November, while the 10Y swap in Europe jumped from 0.35% to 3.20%. In the money markets, 12M EURIBOR rose from -0.45% in January to end the year at 3.35%. In United States, the equivalent 12-month rate jumped from 0.6% to 5.50%.

To mitigate the impact of higher interest rates, in 2022, CIE Automotive negotiated the conversion of existing floating-rate loans to fixed rates and arranged new financings at fixed interest rates.

Official interest rates



As with the rest of the sector players, CIE Automotive was affected by increase in rates from the second half of 2022, which drove very considerable growth in its finance costs, a trend expected to continue in 2023, when the market is discounting further rate increases, with rates expected reach their terminal rates for this cycle in the middle of the year, at around 5% in United States and 3.45% in the eurozone.

To mitigate the impact of higher rates, the company has negotiated a swap from floating to fixed rates with its banks. As a result, while at year-end 2021, 35% of the company's gross debt carried fixed rates, by the end of 2022 that percentage had increased to 51%.

**Ending 2022, 51% of the Group's DFB  
was fixed-rate compared to 35% in 2021.**

#### DEBT STRUCTURE

| € M                       | 2018    | 2019    | 2020    | 2021    | 2022    | MATURITY               | Characteristics                                                                                                                                                                                                                                           |
|---------------------------|---------|---------|---------|---------|---------|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Syndicated loan           | ≈ 400   | ≈ 480   | ≈ 345   | 300     | 340     | Apr-27                 | <ul style="list-style-type: none"> <li>• Loan in euros</li> <li>• Price band based on net debt/EBITDA</li> <li>• 300 million in loan format and 390 million in the form of a RCF (undrawn)</li> <li>• Unexercised option to extend by one year</li> </ul> |
| EIB and IFC-EDC           | ≈ 82    | ≈ 247   | ≈ 261   | ≈ 231   | 211     | April 2031 & June 2028 | <ul style="list-style-type: none"> <li>• Loans in euros and dollars</li> <li>• Partially fixed rate</li> </ul>                                                                                                                                            |
| Long-term loan            | ≈ 81    | ≈ 77    | ≈ 68    | 68      | 68      | July 2026              | <ul style="list-style-type: none"> <li>• Loan in euros</li> <li>• Partially fixed rate</li> </ul>                                                                                                                                                         |
| North America             | ≈ 163   | ≈ 156   | ≈ 122   | ≈ 40    | 80      | Several                | <ul style="list-style-type: none"> <li>• Several</li> <li>• Loans in dollars</li> </ul>                                                                                                                                                                   |
| Other                     | ≈ 616   | ≈ 1,161 | ≈ 1,452 | ≈ 1,541 | 1,442   | Several                | <ul style="list-style-type: none"> <li>• Borrowings comprising bilateral loans (local), credit facilities, working capital lines, etc.</li> </ul>                                                                                                         |
| Gross debt                | ≈ 1,340 | ≈ 2,121 | ≈ 2,248 | ≈ 2,180 | ≈ 2,141 |                        |                                                                                                                                                                                                                                                           |
| Cash and cash equivalents | ≈ 392   | ≈ 599   | ≈ 653   | ≈ 785   | ≈ 857   |                        |                                                                                                                                                                                                                                                           |
| Net debt                  | ≈ 948   | ≈ 1,522 | ≈ 1,595 | ≈ 1,395 | ≈ 1,290 |                        |                                                                                                                                                                                                                                                           |

#### DEBT MATURITY PROFILE

| € M                     | 2021           | 2022           |
|-------------------------|----------------|----------------|
| Within one year         | 525.8          | <b>472.0</b>   |
| Between 1 and 2 years   | 288.3          | <b>701.3</b>   |
| Between 3 and 5 years   | 1,187.3        | <b>820.7</b>   |
| More than 5 years       | 178.5          | <b>147.1</b>   |
| <b>Total borrowings</b> | <b>2,179.9</b> | <b>2,141.1</b> |





## ESG FINANCING TARGETS SET IN 2025 STRATEGIC PLAN ACHIEVED IN 2022

Framed by its sustainability pledge, CIE Automotive is tying the cost of its loans to delivery of its environmental, social and governance commitments.

The target set in the 2025 Strategic Plan was to tie 70% of net debt to ESG criteria and by the end of 2022, that ratio already stood at 100%. Likewise, the goal of linking 50% of the total in gross debt terms had also been topped by year-end, with 62% of gross debt tied to ESG criteria.

Note, moreover, that all new long-term financing arrangements include a sustainability clause. Also, since issuance of the new annual certificate by Moody's, engaged to objectively assess the group's performance along ESG dimensions, 100% of the company's net debt has benefitted from the agreed rate reductions.

That financial strategy evidences the full integration of ESG matters into the day-to-day management of all areas of the business and CIE Automotive's firm commitment to sustainable development.

KEY4

# ***We collaborate with our stakeholders***

**Our shareholders, customers, employees and suppliers help shape our value-added proposition and deliver our business, governance, social and environmental targets. Our success is their success and our progress must trickle back to them and broader society.**

**Shareholders**

**Customers**

**Employees**

**Suppliers**

**Society**

**Environment**

**We have a  
solid business  
model**

**We are being  
guided by a  
sustainable  
strategy**

**We perform  
well in  
complex  
environments**

**We  
collaborate  
with our  
stakeholders**

**We manage  
ethically and  
effectively**



# Shareholders

**Creating long-term returns for our shareholders is one of CIE Automotive’s top priorities. In March 2022, faced by the battering received by the automotive stocks, the company decided to make the most of the unjustified correction in its share price to launch a new buyback programme with a view to reducing capital and offering a higher dividend per share down the line. In parallel, it continued to work hard to communicate the company’s reality to the analyst and investor communities and evidence the significant mismatch between the company’s excellent results and its market value.**

## PROGRESS MADE IN 2022

- ✓ Share buyback programme to boost shareholder remuneration
- ✓ Distribution of €88 million of dividends to shareholders
- ✓ Meetings with investors and analysts to expound the company’s equity story
- ✓ Inclusion in the IBEX Gender Equality Index
- ✓ Significant equity investment by Fidelity (FMR LLC), which took a 3% interest

## CHALLENGES FOR 2023

- ➔ Boosting trading volumes following the company’s exclusion from the Ibex-35 stock index by broadening the universe of target investors.
- ➔ Reinforcing messaging around CIE Automotive’s unique business model, tapping the story of record 2022 results in a very complex environment.

# Ownership structure

At year-end 2022, CIE Automotive’s share capital amounted to €30.64 million, made up of 122,550,000 shares with a unit par value of €0.25. Over half of those shares, 69% of the total, were in the hands of a group of core shareholders and 1.44% belonged to members of the Board of Directors not part of that group. The free float represented 27.21% of the total, whereas own shares accounted for 2.37%, following partial execution of the buyback programme.

Most of the holders of the freely floated shares were Spanish, but funds from United States, UK, France, Ireland, Canada, Germany, Belgium, Portugal, Norway and Denmark were also meaningfully represented.

Main  
shareholders  
*Percentage*

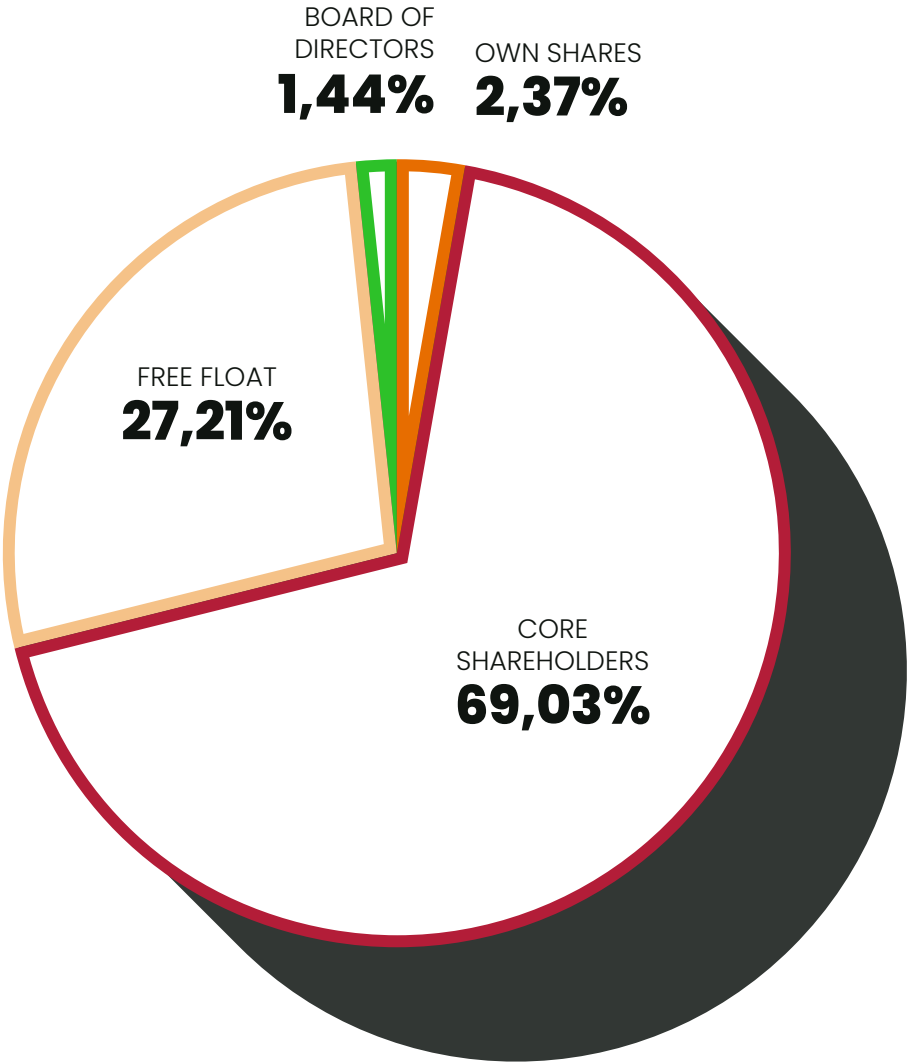
ANNUAL CHANGE IN SHAREHOLDER STRUCTURE  
*As of 31 December 2022*

| Percentage                                 | 2020          | 2021           | 2022          |
|--------------------------------------------|---------------|----------------|---------------|
| ACEK Desarrollo y Gestión Industrial, S.L. | 15.69%        | 15.69%         | 15.69%        |
| Corporación Financiera Alba. S.A.          | 12.73%        | 12.73%         | 13.35%        |
| Antonio M <sup>a</sup> Pradera Jauregui    | 10.53%        | 10.53%         | 10.53%        |
| Elidoza Promoción de Empresas. S.L.        | 10.89%        | 10.89%         | 10.34%        |
| Mahindra&Mahindra. Ltd.                    | 7.83%         | 7.83%          | 7.83%         |
| Addvalia Capital. S.A.                     | 5.26%         | 5.26%          | 5.26%         |
| FMR LLC                                    | 0.00%         | 0.00%          | 3.02%         |
| Alantra Asset Management. SGIIC. S.A.      | 3.55%         | 3.50%          | 3.01%         |
| <b>TOTAL CORE SHAREHOLDERS</b>             | <b>66.48%</b> | <b>70.42%*</b> | <b>69.03%</b> |
| Own shares                                 | 0.00%         | 0.01%          | 2.37%         |
| Other Board members                        | 1.44%         | 1.44%          | 1.44%         |
| Free float                                 | 32.08%        | 28.13%         | 27.21%        |

*This information is based on the communications made by shareholders to the CNMV and/or the Company (Data updated as of 31 December 2022).*

*On 1 February 2023, FMR LLC notified an increase in its ownership interest to 4.69%.*

*(\*) Includes shareholdings of shareholders who in 2022 were no longer significant (>3%).*



# Share price performance

CIE Automotive’s share price was not immune from the market’s misgivings regarding stocks related with the automotive sector in 2022. When Russia invaded Ukraine, the company’s share price fell to €18.97 per share and although it went on to recover gradually, it ended the year at €24.06, 12.06% below the 2021 closing price of €27.36.

CIE Automotive’s share price performance should be seen against the backdrop of a widespread correction in automotive supplier stocks, many of whom had to issue profit warnings as raw materials ran short, energy and commodity prices shot up and the chip crisis lingered. Indeed, the Stoxx Europe 600 Automobiles & Parts index corrected by 20%.

Although CIE Automotive’s share outperformed the European benchmark index in 2022, ranking within the top-4 best-performing European suppliers, it underperformed the Ibex-35 (-5.56%) and the correction does not tally with the record earnings reported by the company quarter after quarter, or the reliability demonstrated over its more than 25 years in business. That inconsistency is evident in the fact that the target prices assigned by the analysts covering CIE Automotive were higher than its share price all year long. At year-end, the market’s consensus target price stood at €29.29 per share.

## CIE AUTOMOTIVE’S STOCK MARKET INDICATORS

| Percentage                              | 2020        | 2021        | 2022        |
|-----------------------------------------|-------------|-------------|-------------|
| Number of shares at year-end            | 122,550,000 | 122,550,000 | 122,550,000 |
| Share price at year-end (€)             | 22.06       | 27.36       | 24.06       |
| Market capitalisation at year-end (€ m) | 2,703.5     | 3,352.9     | 2,948.6     |
| Average trading volume                  | 79,535      | 46,852      | 41,458      |
| P/E multiple*                           | 14.9        | 12.6        | 9.7         |

(\*) P/E multiple: ratio between share price and EPS.

# INCLUSION IN THE IBEX GENDER EQUALITY INDEX

CIE Automotive joined the IBEX Gender Equality Index, the first stock index to track gender equality at Spanish companies, on 20th June 2022. Female boardroom representation at the companies tracked by that stock index ranges between 25% and 75% and their senior management teams are between 15% and 85% female. CIE Automotive’s shares underperformed the benchmark index by 2 points in 2022.

## Membership of ESG indexes

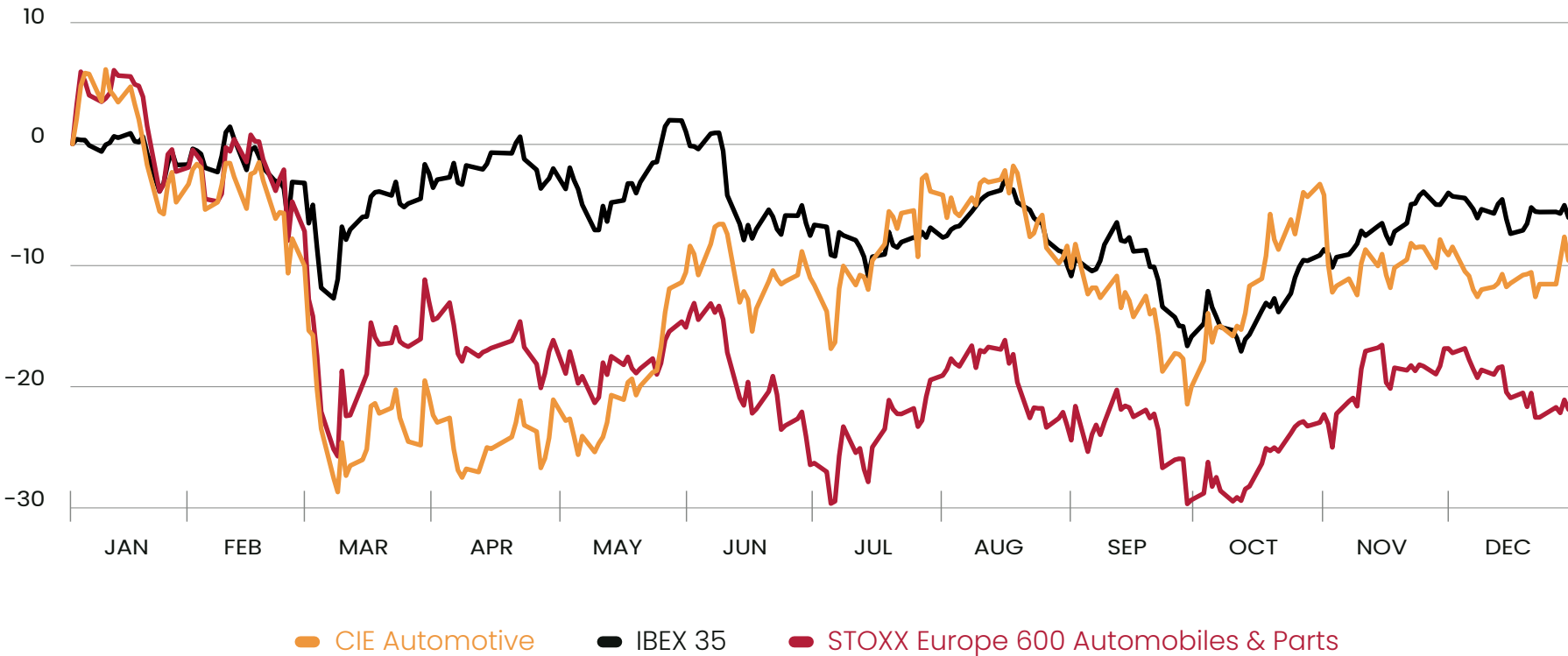
The company is also part of another nine indexes in the ESG space:

- *Bloomberg ESG Data Index;*
- *Bloomberg ESG Score Universe;*
- *Bloomberg ESG Coverage Index;*
- *Solactive ISS ESG Screened Paris Aligned Developed Markets Small Cap Index NTR;*
- *STOXX Global Electric Vehicles & Driving Technology Price USD;*
- *STOXX Global Electric Vehicles & Driving Technology Gross Return USD;*
- *STOXX Global Electric Vehicles & Driving Technology Net Return USD;*
- *Solactive ISS ESG Screened Europe Small Cap Index NTR; and*
- *S&P Developed Net Zero 2050 Carbon Budget (2022 Vintage) Index (USD)*

Trading volumes

The trading volumes provided in the table relate to the shares traded over the official BME trading platform. Note that in recent years, many listed Spanish companies, including CIE Automotive, have seen a very significant shift in trading away from BME to the so-called alternative trading systems. As a result, the reduction in CIE Automotive’s total trading volume, factoring in the shares traded on all platforms (BME + alternative systems) is far less pronounced than looking at the BME figures only.

CIE Automotive’s share price performance  
Percentage



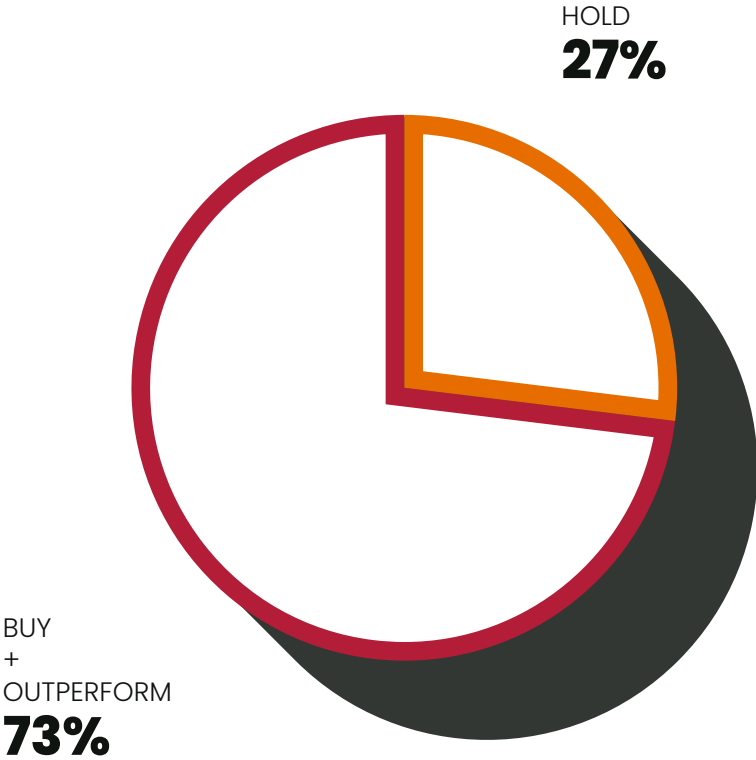
Although CIE Automotive ranked in the 4 best-performing suppliers in 2022, its share price performance did to tally with its record earnings

CONSENSUS TARGET PRICES  
AS OF 31/12/2022

| COMPANY              | ANALYST                           | RECOMMENDATION | PRICE  | Last update |
|----------------------|-----------------------------------|----------------|--------|-------------|
| Alantra Equities     | Álvaro Lenze                      | Hold           | 28.60€ | Oct. 2022   |
| Bankinter            | Esther Gutierrez de la Torre Coll | Buy            | 28.10€ | Oct. 2022   |
| Bestinver Securities | Enrique Yáñez                     | Buy            | 30.30€ | Oct. 2022   |
| Caixabank BPI        | Bruno Bessa                       | Hold           | 28.40€ | Oct. 2022   |
| Exane BNP Paribas    | Francisco Ruiz                    | Hold           | 24.00€ | Jul. 2022   |
| Gaesco Valores       | Iñigo Recio                       | Buy            | 31.00€ | May 2022    |
| Intermoney Valores   | Virginia Pérez                    | Buy            | 29.50€ | Mar. 2022   |
| JB Capital Markets   | Alberto Espelosin                 | Buy            | 34.20€ | Oct. 2022   |
| Kepler Cheuvreux     | Alexandre Raverdy                 | Hold           | 24.00€ | Oct. 2022   |
| Mirabaud Securities  | Manuel Lorente                    | Buy            | 27.75€ | Nov. 2022   |
| Norbolsa             | Ander Peña                        | Buy            | 29.53€ | Dec. 2022   |
| Oddo BHF             | Anthony Dick                      | Overweight     | 30.00€ | Oct. 2022   |
| Renta 4              | Álvaro Aristegui                  | Overweight     | 36.00€ | Dec. 2022   |
| Sabadell             | Alfredo del Cerro                 | Buy            | 28.30€ | Jun. 2022   |
| Banco Santander      | Robert Jackson                    | Overweight     | 29.60€ | Nov. 2021   |
| CONSENSUS            | -                                 | -              | 29.29€ | -           |

Recommendations

Percentage





### MCIE'S SHARE PRICE PERFORMANCE ON THE INDIAN STOCK EXCHANGES

The Mahindra-CIE (MCIE) Group's shares are traded on India's two main stock exchanges: the National Stock Exchange of India Limited (NSE) and the BSE Limited (BSE). On the BSE, MCIE's share price gained 47.2%, marking a high of INR 347.2, while on the NSE it rose by 49.8%, marking an annual high of INR 347.7. The share price rallied in December 2022 after two key decisions were announced: the company's exit from the German market and a company name change to CIE Automotive India Limited.

Demand for vehicles was strong across most segments of the Indian automotive market. There were inflation-related cost pressures on raw materials and other costs in India. The European automotive market faced demand challenges as a result of the war in Ukraine. The resultant energy price spikes also put a lot of pressure on European operations. Against that backdrop, stocks with automotive exposure actually performed well in India. However, the players with exposure to Europe did not perform as well.

As for MCIE's ownership structure, note that CIE Automotive increased its interest by 5% buying out minority interests, while Mahindra & Mahindra reduced its shareholding to under 10%.

For further information, refer to "Shareholder remuneration"

### CIE AUTOMOTIVE'S STOCK MARKET INDICATORS IN INDIA

|                                                                | 2019         | 2020         | 2021          | 2022          |
|----------------------------------------------------------------|--------------|--------------|---------------|---------------|
| Number of shares at year-end (millions)                        | 379.01       | 379.01       | 379.05        | 379.05        |
| Share price at year-end (INR) on BSE                           | 164.75       | 171.80       | 235.00        | 343.85        |
| Share price at year-end (INR) on NSE                           | 164.75       | 172.00       | 234.20        | 346.45        |
| High for the year (INR) on BSE                                 | 258.30       | 179.10       | 311.65        | 347.20        |
| Low for the year (INR) on BSE                                  | 135.55       | 59.05        | 148.30        | 164.00        |
| Market capitalisation at year-end (millions of INR) on the BSE | 62,442       | 65,114       | 89,068        | 131,606       |
| Average trading volumes on BSE ('000 shares)                   | 47,831       | 16,302       | 76,125        | 153,726       |
| Average trading volume on NSE ('000 shares)                    | 185,060      | 207,911      | 498,953       | 884,430       |
| Earnings per share (INR)                                       | 9.35         | 2.81         | 10.44*        | 18.76*        |
| <b>P/E multiple</b>                                            | <b>17.62</b> | <b>61.21</b> | <b>22.43*</b> | <b>18.47*</b> |

(\*) For continuing operations only i.e. excluding CIE Forgings Germany which are held for sale.

MCIE's share price rose on the announced sale of the German forging business and name change to CIE Automotive India Limited

## Shareholder remuneration

In a complex year for the financial markets, CIE Automotive sought to compensate its shareholders for the mismatch between its intrinsic value and its share price by investing over €200 million of its operating cash flow in their remuneration. Specifically, it paid out one-third of the net profit generated in 2021, launched a share buyback programme with the aim to reducing capital and increased its ownership interest in MCIE by buying out minority interests.

Those transactions evidence CIE’s strategy of investing not to acquire new companies but rather unlock organic growth and maximise shareholder remuneration, the only investments the company thinks makes sense at the current time.

### Dividend payments

Each year, CIE Automotive pays out one-third of its profits to its shareholders. As a result, the dividends its shareholders receive have been registering double-digit growth in recent years, in tandem with the company’s earnings, which have almost doubled in five years.

In 2022, the company paid out €88 million in two payments of €0.36 per share (before withholding tax), the first on January 3rd and the second on July 4th. At €0.72, the company’s per-share dividend approached pre-pandemic levels (the dividend from 2019 profits was almost €0.74 per share) and was well above the €0.50 paid from 2020 earnings.

Against that backdrop, the Board of Directors agreed to pay an interim dividend from 2022 earnings of €0.41 per share (before withholding tax), which was paid out on January 5th 2023.

| SHAREHOLDER REMUNERATION            |      |      |      |      |      |
|-------------------------------------|------|------|------|------|------|
| Percentage                          | 2018 | 2019 | 2020 | 2021 | 2022 |
| Ordinary EPS (€)*                   | 1.88 | 2.23 | 1.48 | 2.18 | 2.49 |
| Payout**                            | 33%  | 33%  | 33%  | 33%  | 33%  |
| Accrued dividend per share (€)***   | 0.62 | 0.74 | 0.50 | 0.72 | 0.82 |
| Dividend paid during the year (€ m) | 72.1 | 80.0 | 93.9 | 61.3 | 88.2 |

(\*) 2018 EPS calculated using normalised earnings in the automotive segment.

(\*\*) Payout: percentage of profit paid out to shareholders.

(\*\*\*) Estimate for 2022 as of the date of publication of this document.

## €56 MILLION INVESTED IN THE REPURCHASE OF SHARES

In March 2022, CIE Automotive decided to take advantage of the share price correction triggered by the invasion of Ukraine to launch a share buyback programme capped at €150 million. With that corporate transaction, CIE Automotive sought to boost its shareholders’ future remuneration, affording them a higher EPS and DPS for the same number of shares.

The programme covers the repurchase of up to 5% of share capital, equivalent to 6,127,500 shares. By 31 December 2022, the company had invested €56 million to repurchase 2.24% of its shares.

It was CIE Automotive’s second own share buyback programme. The first buyback programme, launched in February 2020, likewise contemplated the repurchase of up to 5% for subsequent cancellation for an authorised total of €160 million. That first buyback programme had a duration of two years but was completed in just eight months.

Increased shareholding in MCIE

In 2022, CIE Automotive invested €57 million to increase its shareholding in MCIE by 5%.

It purchased the MCIE shares in two stages: first it bought 2.7% of that entity’s share capital from institutional investors at a price of INR 215, which marked a premium of 12% over the previous day’s close; later it acquired a second block of 2.3% from Mahindra, at a price of INR 285, a 9% premium over the prior close.

Following those purchases, CIE Automotive now holds 65.71% of that group’s shares and has reinforced its capital structure, while Mahindra has reduced its shareholding to under 10%.

Investor relations

Irrespective of their ownership interests, all shareholders receive equal treatment in terms of the information they get and their right to participate in and cast their votes at the company’s Annual General Meeting, as contemplated in Spain’s Corporate Enterprises Act.

Investor relations are governed by transparency and accessibility criteria, as set down in the *Policy for reporting to and communicating with shareholders* and the market.

That policy lays out the general principles of conduct that guide the Investor Relations Department, whose remit is to provide the broad financial community with accurate and timely information.

All information provided to the market is supervised by the Board of Directors, which takes the measures needed to safeguard shareholder and investor rights, framed by the company’s best interests.

Principles of the market information and communication policy\*



Distribution of information in a transparent, clear, accurate, uniform and simultaneous manner



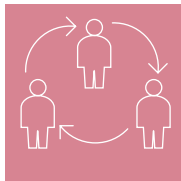
Active effort to keep shareholders continuously and permanently informed



Equal treatment in terms of the acknowledgement and exercise of all shareholders’ rights



Development of information tools and communication channels that take advantage of the latest technology



Collaboration with shareholders so that disclosure practices are transparent, effective and in keeping with the corporate interest



Compliance with the law, the company’s corporate governance rules and the principles of cooperation and transparency in dealing with the competent authorities and regulators



Protection of the rights and legitimate interests of all shareholders

The company distributes its information using different channels, the key channels being Spain's securities market regulator, the CNMV for its acronym in Spanish, which publishes significant developments pertaining to the company, and the corporate website ([www.cieautomotive.com](http://www.cieautomotive.com)), which has a dedicated "Shareholders and Investors" microsite. There it publishes all the latest group news and developments and provides contact details.

Email:

[ir@cieautomotive.com](mailto:ir@cieautomotive.com)



Telephone number:

**+34 94 605 62 00**

To facilitate its work, the IR Department uses Nasdaq IR Insight, a management platform that allows it to keep a detailed record of its meetings (content and labelling), bringing up information about investor profiles and contacts and generating real-time market alerts.

### Investor meetings

Driven by its effort to explain the company's reality to the financial community, the Investor Relations Department was very active throughout 2022, meeting with more than 500 institutional investors and over 150 retail investors.

It participated in a range of events, including global sector conferences, such as the 9th JP Morgan Autoconference and the Spring Autos Conference by BNP Paribas Exane and Jefferies, which welcomed analysts and institutional investors from all over the world. It also held its first meetings with some of the funds newly selected as targets following specific investor targeting analysis, held its annual event with retail investors, this year with the help of Renta 4 Banco, and participated in the Auto Day sector conference organised by Banco Santander, in which Mercedes, Volkswagen, Gestamp and Antolín also participated.

### Analyst outreach

In addition to its communication effort, the company remained in constant contact with the pool of research analysts covering the company, which this year increased to 15 following the initiation of coverage by GVC Gaesco. The highlight was the company's 2022 Analyst Day, an informal gathering conducive to getting to know each other better.

For much of last year the analysts' interest focused on topics related to the challenging environment facing the industry such as CIE Automotive's exposure to Russia (just 0.3% of revenue), its energy costs, its strategy in the face of rising commodity prices, etc.

The analyst community is also increasingly interested in ESG-related matters. With the aim of better understanding investors, of speaking the same language as them when it comes to the world of ESG, in 2022, the Investor Relations team earned CESGA (Certified Environmental Social and Governance Analyst) certification, a qualification currently held by only around 3,500 people in the world, the vast majority of whom European, putting our IR professionals at the forefront of current developments.

Taking stock of the  
analyst community's growing  
interest in ESG aspects, the  
IR team earned  
CESGA certification

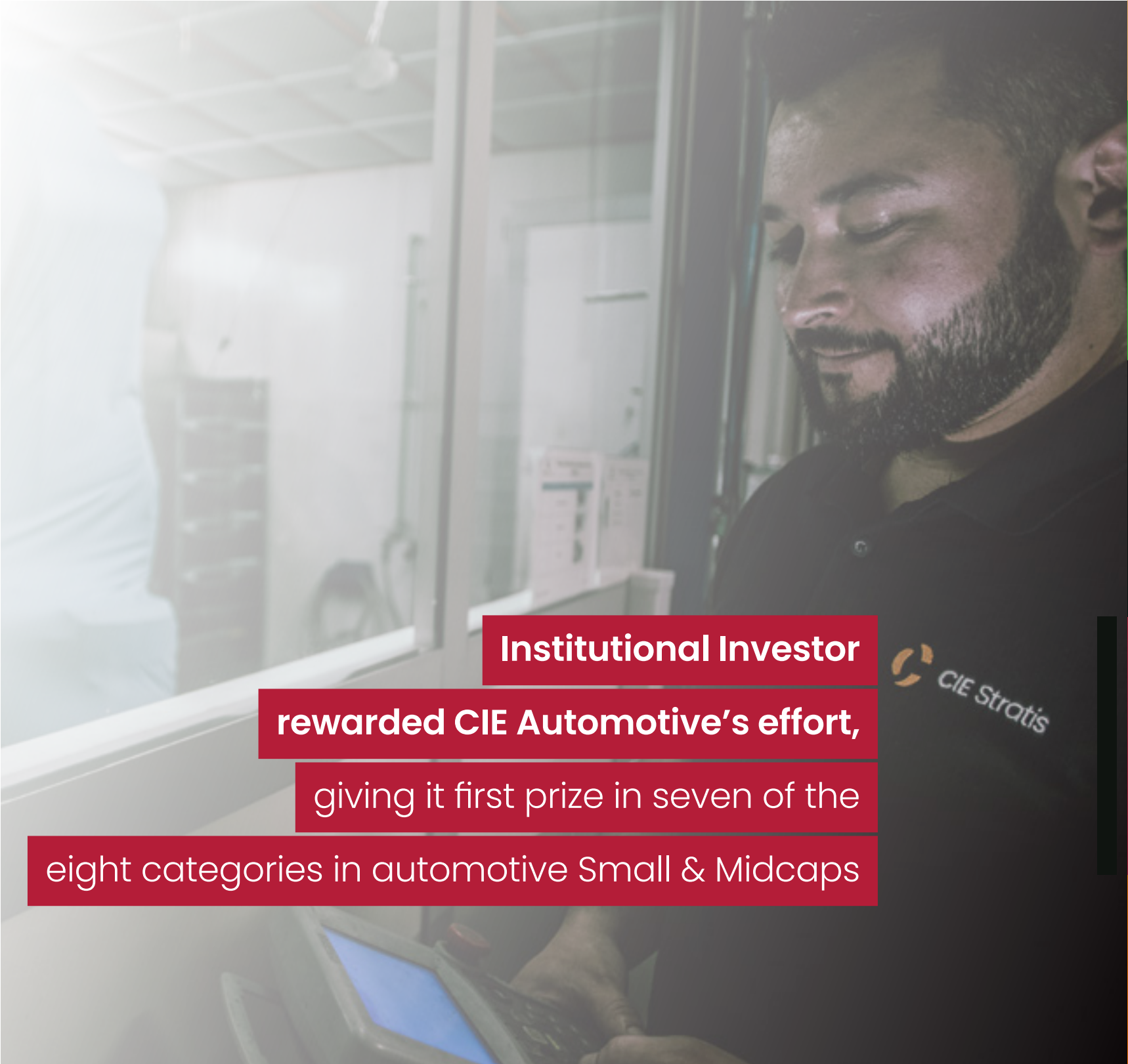


Prizes

The Investor Relations Department’s excellent work with investors was borne out in the awards handed out by Institutional Investor, a leading international business to business publisher, focused primarily on international finance. CIE Automotive once again stood out in the Small & Midcap segment of the automotive sector, taking the top prize in seven of the eight categories it opted for.

| INSTITUTIONAL INVESTOR RANKINGS |                          |   |
|---------------------------------|--------------------------|---|
| Small & Midcap Awards           | CIE Automotive’s ranking |   |
| Most Honored Companies          | 1 <sup>o</sup>           | ★ |
| 1. Best CEO                     | 1 <sup>o</sup>           | ★ |
| 2. Best IR Professional         | 1 <sup>o</sup>           | ★ |
| 3. Best IR Program              | 1 <sup>o</sup>           | ★ |
| 4. Best IR Team                 | 1 <sup>o</sup>           | ★ |
| 5. Best ESG                     | 1 <sup>o</sup>           | ★ |
| 6. Best Company Board           | 1 <sup>o</sup>           | ★ |
| 7. Best Analyst/Investor Event  | 1 <sup>o</sup>           | ★ |

Auto & Auto  
Parts





# Customers

CIE Automotive provides the major global original equipment makers and tier-1 suppliers with the parts and subassemblies they need, when and how they need them, so as to generate value, framed by its *Quality Policy*. Throughout 2022, despite the challenging business environment, it continued to respond to its customers’ requirements with multi-technology solutions designed to satisfy drivers’ new needs.

**PROGRESS MADE IN 2022**

- ✓ Increased market share
- ✓ New business for next generation vehicles
- ✓ Rollout of the data protection and security project over TISAX
- ✓ OEM awards in several markets

**CHALLENGES FOR 2023**

- ➔ Pass-through of the increase in costs derived from the growth in energy prices and inflation in raw materials and labour
- ➔ Penetration of new OEMs in emerging markets
- ➔ Increased market share in all regions

**Value-added solutions**

CIE Automotive aspires to become a benchmark partner for OEMs and Tier-1 suppliers by offering a broad range of innovative solutions and quality products at competitive prices.

To address each customer’s needs and help them react to market trends, it offers them a range of technology options for a given part or subsassembly, so acting as a “one-stop-shop” for the automotive platforms.

In 2022, despite shortages of certain materials and growth in production costs on the back of inflation in energy and other inputs, it continued to offer its customers over 7,000 value-added SKUs.



Roof systems



Bodywork, Chassis & Steering



Transmission and Gearboxes



Interior and Exterior Trim

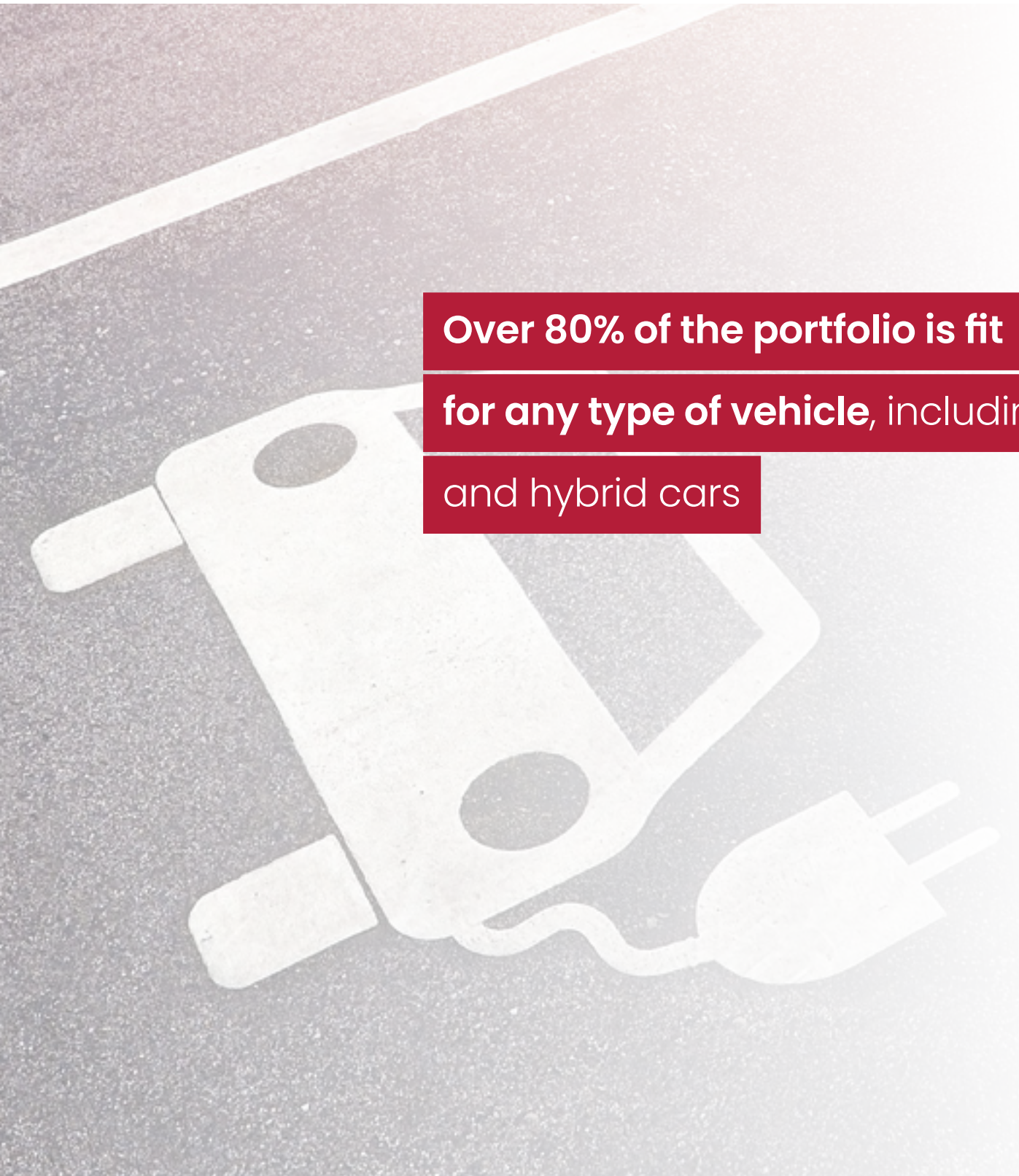


Engines



Commercial Vehicles





**Over 80% of the portfolio is fit  
for any type of vehicle, including electric  
and hybrid cars**

### Increased market share

The heavy impact of COVID-19 and the subsequent run-up in energy and other commodity prices drove many automotive suppliers out of the market, unable to pass their higher costs through to end customers. CIE Automotive has been able to take advantage of consolidation to gain market share and cover new segments related with the macro trends affecting the sector.

Thanks to the work put in by its sales teams, 50% of the order intake is directed at next-generation vehicles, with significant growth in orders related to electrified vehicles, safety and comfort, in line with the 2025 Strategic Plan.

### Contribution to the electrified car

The group is technologically prepared to contribute to the electrification of the stock of vehicles. Indeed, over 80% of its portfolio is fit for any type of vehicle, including electric and hybrid electric cars.

More recently, it has been reinforcing its EV positioning in areas related to their batteries, motors and electronics, as it waits for market volumes to take off.

In 2022, it increased its presence in forged chassis and suspension parts and in ferrous and aluminium alloys with the aim of helping make vehicles lighter so as to in turn reduce their emissions. It also lifted its presence in axle and gearbox machining for BEVs.

# Business milestones by region

Completion of two specific courses by sales teams from all of CIE Automotive on ESG subjects with the idea of pooling our customers' ESG requirements in all markets and technologies so as to stay ahead of the market in ESG matters.

## Global

## Europe

## America

## Asia

|                                                                                                                                                                                                                                                                 |                                                                                |                                                                                                                                                                                                      |                                                                                                                                                                                                                                              |                                                                                           |                                                                                        |                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Several new order wins in aluminium casting, bringing several OEM and Tier 1 customers over to this new technology.                                                                                                                                             | New steel forging orders for fully-electric heavy- and medium-weight vehicles. | Successful industrialisation of projects targeted at fully-electric OEMs at CIE Unitools and CIE Metal, including the inauguration of a new pavilion with significant investments in assembly lines. | Industrialisation of projects at CIE Egaña and CIE Udalbide, in parallel with the Czech market, for complex parts for EVs for European OEMs.                                                                                                 | New fully-electric OEM order for input and intermediate gear for BEVs. BEV reducer parts. | New order from an American OEM for planetary carriers and caps for BEVs.               | Industrialisation of parts for BEV reducer for a German OEM. |
| Start-up of ID.4 production with over 50 new stamping and battery parts in the metals division in Mexico.                                                                                                                                                       | Increased roles in new aluminium stamping products for EVs and heat sinks.     | New orders in forging for crankshafts for all-terrain vehicles (ATVs).                                                                                                                               | The Mexican plastics division won new orders for a major Tier 1 supplier, boosting the factory's production, and entered a new fully-electric OEM, while continuing to grow with OEMs it was already working with.                           | Installation of four new injectors at the Mexican plastics division's factory.            | Successful installation of a 1,600-MT transfer press in the metals division in Brazil. |                                                              |
| MCIE increased its capacity in India in line with customer demand in 2022. <ul style="list-style-type: none"><li>• New forging factory at CIE Hosur.</li><li>• New aluminium die casting factory in Aurangabad.</li><li>• New gear factory in Rajkot.</li></ul> |                                                                                |                                                                                                                                                                                                      | On the order intake front, new business related with EVs was very strong, accounting for the bulk of that intake and encompassing a diversity of projects and customers, ensuring the company's presence in India's EV market going forward. |                                                                                           |                                                                                        |                                                              |

Quality

Customer satisfaction is driven by continuous product and process improvement by means of prevention, systematic revision, training and know-how sharing, as it is set down in the company's **Quality Policy**, which was updated in 2021. The Quality Policy sets down CIE Automotive's priorities vis-à-vis its customers, specifically mentioning the development of products and processes framed by eco-design and efficiency criteria. The policy evidences the company's dual strategic commitment to quality and environmental protection, in harmony with its customers' concerns.

CIE Automotive's quality policy priorities



Customer protection



Proactive stance



Zero-defects mission



Service

Throughout 2022 the company emphasised communication and implementation of the new model across the various regions and technology divisions, prioritising product safety and the extension of best practices.

Focused on quality, it is working towards its goal of achieving triple certification at all of its factories by securing the corresponding quality management, environmental management and health and safety management certifications.

In addition, it complies with the IATF's international quality standard. That standard is specific to the automotive industry and harmonises the different assessment and certification systems in the global automotive supply chain.

To manage all of its certification processes, the company has a global agreement with TÜV RHEINLAND, covering all three standards, until 2024.

Consumer claims, complaints and grievance systems

Despite its best efforts on the product quality front, both preventive during the design and industrialisation phases and corrective during manufacturing, on occasion deviations lead to customer claims. When that happens, it is vital to react immediately to prevent the supply of non-conforming parts and conduct in-depth analysis of the root causes.

The group's global nature means these solutions are applied to all potentially affected factories and/or technologies.

| Global Certification Snapshot |                              |      |            |      |      |      |           |      |      |      |           |      |      |      |
|-------------------------------|------------------------------|------|------------|------|------|------|-----------|------|------|------|-----------|------|------|------|
|                               | Total Certificable Factories |      | IATF 16949 |      |      |      | ISO 14001 |      |      |      | ISO 45001 |      |      |      |
|                               | 2021                         | 2022 | 2021       |      | 2022 |      | 2021      |      | 2022 |      | 2021      |      | 2022 |      |
|                               | N                            | N    | N          | %    | N    | %    | N         | %    | N    | %    | N         | %    | N    | %    |
| Asia                          | 33                           | 37   | 30         | 91%  | 33   | 89%  | 26        | 79%  | 28   | 76%  | 25        | 76%  | 29   | 78%  |
| Europe                        | 44                           | 44   | 43         | 98%  | 42   | 95%  | 43        | 98%  | 42   | 95%  | 40        | 91%  | 39   | 89%  |
| North America                 | 16                           | 20   | 14         | 88%  | 19   | 95%  | 13        | 81%  | 18   | 90%  | 9         | 56%  | 19   | 95%  |
| Brazil                        | 11                           | 11   | 11         | 100% | 11   | 100% | 11        | 100% | 11   | 100% | 11        | 100% | 11   | 100% |
| Total                         | 104                          | 112  | 98         | 94%  | 105  | 94%  | 93        | 89%  | 99   | 88%  | 85        | 82%  | 98   | 88%  |

(\*) Includes the three discontinued German factories, all of which boast triple certification.



**Customer  
satisfaction**

CIE Automotive has a customer satisfaction control system that measures, tracks and analyses customer feedback with the aim of proposing improvements at the various factories as warranted.

The company assesses each factory’s performance and also quantifies customer perceptions on the basis of audits, assessments and current data. It then uses that information to compile an annual report and draws up corrective action plans as necessary.

**Consumer health and safety measures**

Given its business-to-business (B2B) profile, the company has no direct contact with end vehicle users. However, it upholds all of the specifications stipulated in the IATF standard. Refer to the table above for the number and percentage of factories already compliant with that standard.

**Certifications and accolades**

In 2022, CIE Automotive was named best supplier by a number of market-leading OEMs. Those accolades encourage the company to press ahead with its continuous improvement and customer satisfaction efforts.

| PRIZES AND ACCOLADES          |                          |         |                                                                               |
|-------------------------------|--------------------------|---------|-------------------------------------------------------------------------------|
| Customer                      | Factory                  | Country | Accolade                                                                      |
| Nissan                        | CIE Gameko               | Spain   | Quality award for the supply of the HUB ASSY STRG AXLE 40202 to Nissan Europe |
| DENSO                         | AEL GDC                  | India   | Quality Zero PPM                                                              |
| JLR                           | NJF                      | China   | 0PPM Quality Award                                                            |
| India Nippon Electricals Ltd. | MCIE Magnets             | India   | Best Supplier Award                                                           |
| PACCAR                        | Durametal                | Brazil  | Quality Award 10PPM                                                           |
| BROSE                         | PEMSA Celaya             | Mexico  | Best supplier 2022 award                                                      |
| Nissan                        | PEMSA Celaya             | Mexico  | Best body parts supplier 2022 award                                           |
| Ford                          | CIE Componentes Vilanova | Spain   | Q1 Quality Award                                                              |
| Automotive Axles Limited      | MCIE Castings            | India   | Best supplier of the year                                                     |
| Ford                          | MCIE Castings            | India   | Q1 Quality Award                                                              |
| GM                            | Golde Shanghai           | China   | Quality Excellence Award 2021                                                 |
| PATAC                         | Golde Shanghai           | China   | Appreciation letter for project C1YX-2                                        |
| PATAC                         | Golde Shanghai           | China   | Appreciation letter for project L233                                          |
| SAIC-GM                       | GOLDE SHANDONG           | China   | 2021 SAIC-GM DONGYUE Silver Award                                             |
| FAW-VW                        | GOLDE TIANJIN            | China   | FAW-VW Tianjin Branch 2021 Annual Quality Excellence Award                    |
| Pionner                       | GOLDE TIANJIN            | China   | Pioneer worker award                                                          |
| FAW-VW                        | GOLDE CHANGCHUN          | China   | FAW-VW Changchun Plant 2022 PSB Excellent Supplier Award                      |
| FAW-VW                        | GOLDE CHANGCHUN          | China   | FAW-VW Changchun Plant 2022 high and new technology company Award             |
| Mahindra                      | GOLDE WUHAN              | China   | Golde Wuhan named in Mahindra Excellent Supplier List                         |

# Employees

**CIE Automotive guarantees the nearly 25,000 people comprising its team a decent and safe work environment. Framed by the targets set in its 2025 Strategic Plan, throughout the year it performed diversity and inclusion assessments at half of the group’s factories, conducted the CIE Safety questionnaire at facilities to standardise workplace safety and further improve the related indicators (marked by a very significant improvement this year, with an injury frequency rate of under 7 and a severity rate of 0.13) and expanded the Ulysses training programme to three countries (Mexico, Brazil and India), also bringing in a bigger number of students.**

## PROGRESS MADE IN 2022

- ✓ Diversity and inclusion assessments completed at 50% of the group’s factories
- ✓ Increase in the number of factory managers trained on ESG matters (90% in 2022, the strategic target for 2025 being 100%)
- ✓ Expansion of the Ulysses programme to include new students (12) and countries (3)
- ✓ Performance of the CIE Safety questionnaire, growth in the number of factories ISO 45001 certified (90% certified, 10 more year-on-year), significant reduction in workplace accidents and improvement in injury frequency and severity rates

## CHALLENGES FOR 2023

- Ongoing improvement in the key health and safety indicators and in the number and percentage of factories health and safety certified
- Increase in the percentage of group factories with diversity assessments
- Increase in the number of students involved in the Ulysses programme, zeroing in on the target for 2025 (15 students | 3 countries | over 80% remaining at the group)
- Integration of employees joining the group from acquirees

Employment and diversity

At year-end 2022, CIE Automotive had 24,986 employees in 18 countries on four continents, up 514 from a year earlier. It complies with applicable prevailing labour legislation in all those countries and adapts for regional practices and customs, framed by its *Human Rights Policy*.

Diversity management is one of the company’s top priorities, to which end it works hard to find common ground between people from different cultures conducive to cooperation, foster a sense of belonging and have everyone embrace a shared identity.

The search for cross-cultural cooperation and talent recognition no matter where it hails from is evident in the fact that 91% of the group’s managers are nationals from the country in which the factory is located and the members of the factories’ management committees are local professionals 92% of the time.

Job map at CIE Automotive (at year-end)

| CIE AUTOMOTIVE (TOTAL) | Number of employees                              |       |
|------------------------|--------------------------------------------------|-------|
|                        | 24,986                                           |       |
|                        | Men                                              | Women |
|                        | 20,392                                           | 4,594 |
|                        | Local managers as % of all factory managers      |       |
|                        | 91%                                              |       |
|                        | % local members of factory management committees |       |
|                        | 92%                                              |       |
|                        | Fixed/indefinite contracts as % of total         |       |
|                        | 85%                                              |       |
|                        | M 84%                                            | W 85% |

| NORTH AMERICA | Number of employees                              |       |
|---------------|--------------------------------------------------|-------|
|               | 7,056                                            |       |
|               | Men                                              | Women |
|               | 4,632                                            | 2,424 |
|               | Local managers as % of all factory managers      |       |
|               | 94%                                              |       |
|               | % local members of factory management committees |       |
|               | 95%                                              |       |
|               | Fixed/indefinite contracts as % of total         |       |
|               | 85%                                              |       |
|               | M 88%                                            | W 80% |

| BRAZIL | Number of employees                              |       |
|--------|--------------------------------------------------|-------|
|        | 2,901                                            |       |
|        | Men                                              | Women |
|        | 2,524                                            | 377   |
|        | Local managers as % of all factory managers      |       |
|        | 100%                                             |       |
|        | % local members of factory management committees |       |
|        | 98%                                              |       |
|        | Fixed/indefinite contracts as % of total         |       |
|        | 92%                                              |       |
| M 92%  | W 95%                                            |       |

| EUROPE* | Number of employees                              |       |
|---------|--------------------------------------------------|-------|
|         | 6,113                                            |       |
|         | Men                                              | Women |
|         | 4,763                                            | 1,350 |
|         | Local managers as % of all factory managers      |       |
|         | 82%                                              |       |
|         | % local members of factory management committees |       |
|         | 94%                                              |       |
|         | Fixed/indefinite contracts as % of total         |       |
|         | 96%                                              |       |
| M 96%   | W 97%                                            |       |

(\*) Includes employees at the Morocco plant and 676 employees at the German operations classified as discontinued

| ASIA  | Number of employees                              |       |
|-------|--------------------------------------------------|-------|
|       | 8,916                                            |       |
|       | Men                                              | Women |
|       | 8,473                                            | 443   |
|       | Local managers as % of all factory managers      |       |
|       | 100%                                             |       |
|       | % local members of factory management committees |       |
|       | 85%                                              |       |
|       | Fixed/indefinite contracts as % of total         |       |
|       | 74%                                              |       |
| M 74% | W 65%                                            |       |





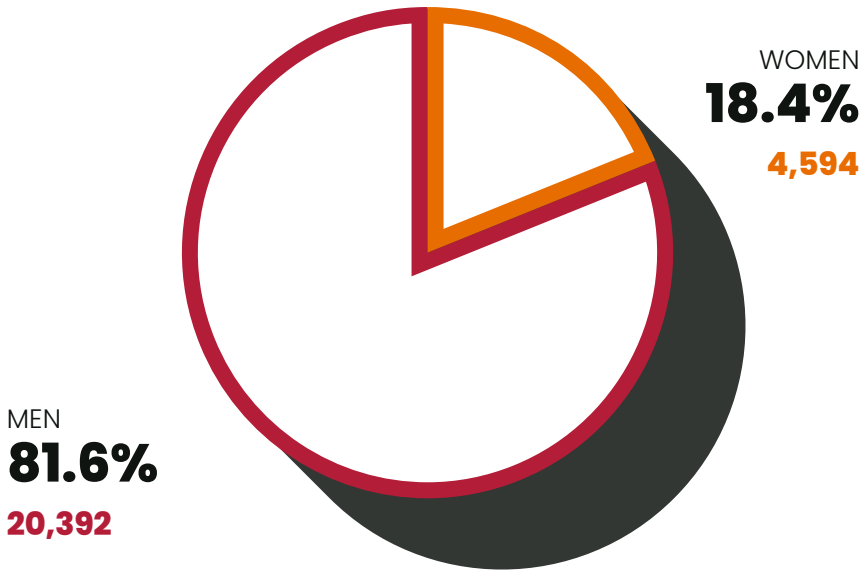
Convinced that diversity generates value added, the company's workforce encompasses a rich mix of genders, generations, education levels and skills.

By age, 26% of its employees are under the age of 30; 58% are aged between 30 and 50; and 16% are over the age of 50. In addition to those employees, the company is tapping and nurturing young talent under internship and scholarship programmes.

As for educational backgrounds of the group's employees, and reflecting the group's industrial profile, 68% of the total are tradesmen and women; however, 28% are university graduates and 4% are executives.

For information about the number of employees per country, refer to the "Data tables" section

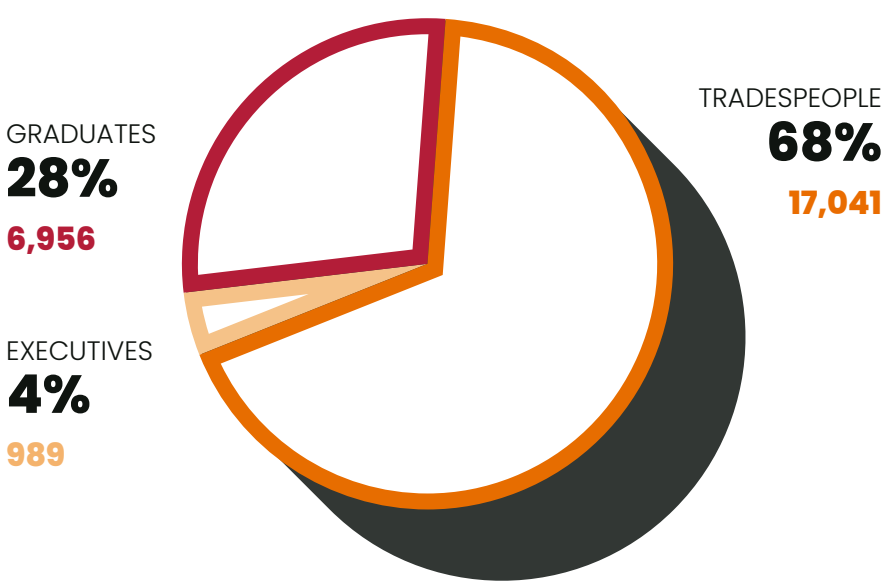
Breakdown of the workforce by gender\*



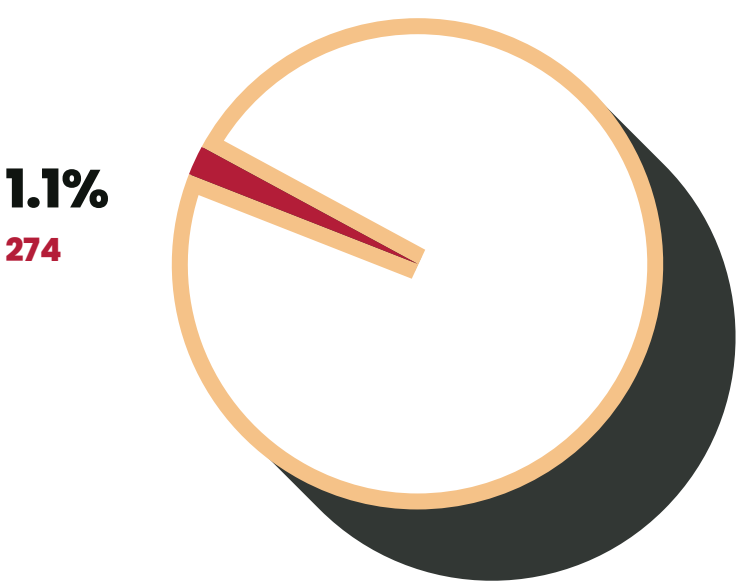
Breakdown of the workforce by age\*



Breakdown of the workforce by employee category\*



Diversity\* of abilities



(\*) Includes 676 employees at the German operations classified as discontinued



By gender, 18.4% of the group’s employees are women. Although that is still a low figure, albeit common in industrial sectors, CIE Automotive has been driving slow but steady growth in this indicator in recent years, pushing it from around 15% to almost 19% today. The situation varies by region and culture (although all of CIE Automotive’s factories are undergoing diversity assessment, with 50% complete, and implementing ad-hoc action plans), as shown in the following tables, which depicts the penetration of tradeswomen, female graduates and female executives:

| BREAKDOWN OF THE WORKFORCE BY EMPLOYEE CATEGORY AND GEOGRAPHIC AREA |                |                   |                      |     |                                 |                |                   |                      |
|---------------------------------------------------------------------|----------------|-------------------|----------------------|-----|---------------------------------|----------------|-------------------|----------------------|
| % of women by category                                              | 2021*          |                   |                      |     | % of Steering Committee members | 2022**         |                   |                      |
|                                                                     | % of graduates | % of tradespeople | % of women by region |     |                                 | % of graduates | % of tradespeople | % of women by region |
| ASIA                                                                | n.a.           | 7%                | 4%                   | 5%  | n.a.                            | 7%             | 4%                | 5%                   |
| BRAZIL                                                              | n.a.           | 18%               | 10%                  | 13% | n.a.                            | 15%            | 12%               | 13%                  |
| EUROPE                                                              | n.a.           | 23%               | 23%                  | 22% | n.a.                            | 23%            | 22%               | 22%                  |
| NORTH AMERICA                                                       | n.a.           | 23%               | 37%                  | 34% | n.a.                            | 22%            | 40%               | 34%                  |
| TOTAL                                                               | 40%            | 18%               | 19%                  | 18% | 40%                             | 17%            | 19%               | 18%                  |

(\*) Includes 692 employees at the German operations classified as discontinued (\*\*) Includes 676 employees at the German operations classified as discontinued

Although just 18.4% of the company’s employees are women, female penetration has been rising slowly but steadily in recent years

People with some form of disability account for 1.1% of the headcount: a total of 274 people, eight more than at year-end 2021.

Although CIE Automotive is working hard to integrate people with disabilities into the group all over the world, what the 53 factory diversity assessments undertaken this year have shown is that their inclusion depends to a significant extent on the sensitivity and specific regulations of the country in question.

Europe and Brazil stand out for their inclusion of people with disabilities, particularly Brazil.

CIE Automotive  
is working on a number  
of workplace  
inclusion initiatives  
for people  
with disabilities

| PERSONS WITH DISABILITIES BY REGION |      |      |
|-------------------------------------|------|------|
|                                     | 2021 | 2022 |
| Asia                                | 7    | 6    |
| Brazil                              | 75   | 86   |
| Europe                              | 163  | 166  |
| North America                       | 21   | 16   |
| Total                               | 266  | 274  |

Thanks to the diversity assessments conducted in 2022, the group is working on the following initiatives:

1. Agreements with a number of institutions, such as La Caixa Foundation, to facilitate the inclusion of persons with disabilities into the group’s factories’ recurring recruiting processes.
2. Corporate-level control and oversight of progress and compliance in countries with regulations and significant track records in diversity matters.
3. Intracountry benchmarking in markets in which the inclusion of people with disabilities is less advanced, particularly countries with significant headcounts in relation to the group total, such as India. Here the idea is to identify what actions other companies in those countries are taking to improve the integration of persons with disabilities.



DIVERSITY ASSESSMENTS AND ACTION PLANS IN 50% OF OUR FACTORIES

The 2025 Strategic Plan places diversity at the heart of its human resources management effort. Framed by the same decentralised philosophy applied in other areas of management, CIE Automotive is aiming to have 100% of its factories assessed for diversity and inclusion by 2025. Those assessments will build to create a global snapshot of diversity groupwide and pave the way for opportune corrective measures at both the factory and group levels.

In 2022, the company completed 53 diversity assessments (encompassing 50% of group factories). Based on the results, the factories themselves devised action plans where warranted which will now be monitored at the factory level, as well as by the corporate Human Resources Department. Where the assessments yield common issues, the company is weighing up the possibility of implementing corporate initiatives for some or all factories in the coming years.

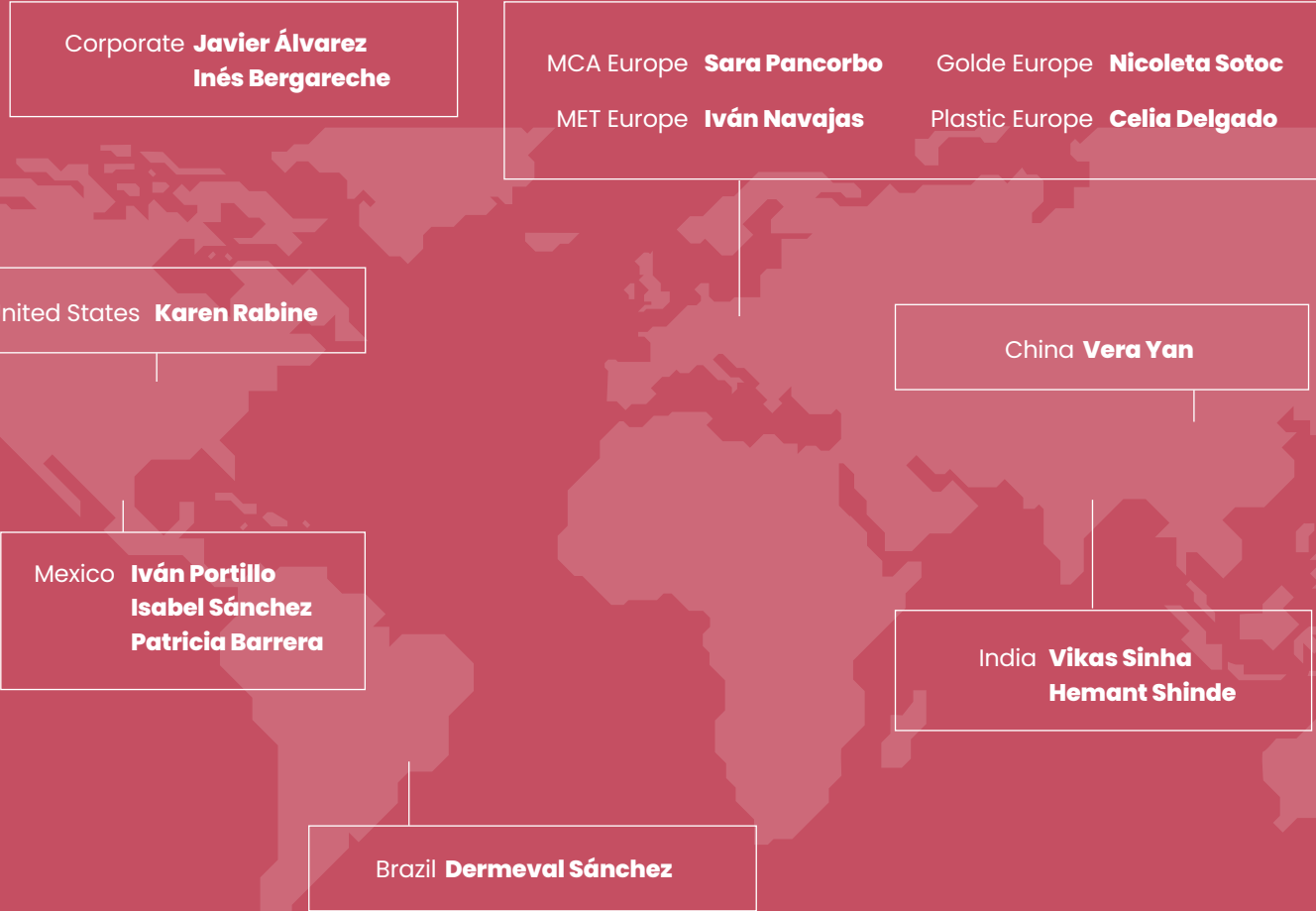
The assessments are carried out using a common tool designed to measure diversity in terms of gender, generation, disabilities and culture by means of diversity metrics and talent management practices (recruitment and selection, promotion, training, performance

| DIVERSITY ASSESSMENTS BY REGION |    |
|---------------------------------|----|
| Europe                          | 17 |
| North America                   | 10 |
| Brazil                          | 10 |
| Asia                            | 16 |
| TOTAL                           | 53 |

evaluation and turnover, etc.) and a questionnaire regarding practices at the factory level.

The Diversity, Equality and Inclusion Committee, set up in 2021, made up of 14 professionals representing all divisions and regions, is responsible for the assessments. Each committee member or committee representative at the factory level provides insight into the specific circumstances around the country, factory or divisions in question and their action plans. Those plans can be joint (groupwide) or individual (by factory, country or division). Each case is studied individually.

Members of Diversity Committee





The goal, as set down in the 2025 Strategic Plan, is to have all of the group’s factories assessed by 2025. Three years before that deadline, the company has already assessed half of its facilities, putting it well on track to comfortably achieve its objective.

Recall that it was as recently as 2021 when the dedicated committee was set up, the various diversity aspects to be measured defined (after benchmarking 20 groups of different sizes and from different sectors, the company opted to assess diversity in terms of culture, abilities, gender and generation) and the tool for standardised measurement devised and tested.

The conclusions yielded to date are multiple and varied. And they validate, at least partially, the similarly decentralised approach we are taking, as sensitivity around diversity differs considerably across the various regions. Simplifying and synthesising the information obtained, we can say that:

1. Multicultural diversity is very significant and is managed actively in some markets, such as United States and Brazil, where the population is more heterogeneous than in other regions and the factories layer in local census data when launching recruiting campaigns.
2. Generational diversity is managed actively in nearly all regions and has a significant impact on factory succession planning.
3. Gender diversity is a common concern in all regions and there are countries, like Spain, where there is specific legislation to be complied with. The outlier is perhaps the Indian business which presents idiosyncrasies in terms of diversity assessment. However, despite still limited female access to CIE Automotive and to the job market in general, the number of female employees doubled in 2022.
4. Progress on disability inclusion is disparate, with some markets very advanced (Europe and Brazil) and others (India and China) much further behind; in the lagging countries, the company is conducting benchmarking studies to detect best practices in the regions and take the appropriate decisions.

At any rate, each factory is working on diversity action plans in light of their respective strengths and shortcomings. Below are a few examples of some of the initiatives underway in the different geographic areas.

**India**

Introducing a requirement that 30% of candidates for management and mid-level positions be female so as to gradually drive growth in their representation in the workforce.

Raising awareness among area and department heads with the aim of overcoming initial misgivings about hiring women. Note that recent positive experiences following the hiring of women in the procurement area of certain factories is helping overcome legacy some cultural reticences.

**Brazil**

Several Brazilian factories have set themselves the goal of increasing the percentage of mixed-race and black people in their headcounts, in line with the regional census. All of which, naturally, considering their skills and capabilities.

**Europe**

Organising awareness and training sessions. In some cases, under the scope of the equality plans in place at certain factories, those sessions are being organised in conjunction with their workers’ representatives.

**North America**

Establishing quantitative targets in order to raise female participation at certain Mexican factories.



**PROTOCOL FOR PREVENTING  
AND HANDLING  
WORKPLACE HARASSMENT**

CIE Automotive introduced its Protocol for Preventing and Handling Workplace Harassment, which is binding upon all group factories, in 2020. It covers the prevention of mobbing and of sexual or gender harassment and includes a series of preventive measures, such as zero-tolerance towards harassment, shared employee responsibility for monitoring workplace conduct and the definition of communication programmes. The Harassment Protocol is available for consultation on the company’s website.

In 2022, CIE Automotive received and managed 16 complaints related to the topics addressed by the protocol, 11 more than in 2021. Resolution of those complaints led to strict disciplinary measures, including the firing of one individual accused of harassment.

The growth in the number of complaints shows that the protocol is not there just for show but rather is a transparent tool whose use is actively encouraged by the company. Note, additionally, that the appropriate investigations and inquiries were carried out case by case and serious disciplinary measures were taken when the circumstances warranted.

CIE Automotive has  
a **Protocol for**  
**Preventing and Handling**  
**Workplace Harassment,**  
which is binding  
upon all  
group factories



GENDER DIVERSITY

Women are still significantly underrepresented at CIE Automotive: just 18.4% of employees are female. However, that percentage has been increasing over time (16% in 2018), as the company has made new hires. In 2022, 19.4% of all hires were women, which is one point above overall female representation.

The situation at CIE Automotive is the product of long-standing male dominance in the automotive sector, coupled with limited female access to certain areas of technical training in schools and universities. However, cultural barriers in certain countries impede female hiring at the factory level. That is evident in the fact that in North America, women hold 34% of the factory jobs, while in Asia (India and China), they hold just 5%.

The situation also differs by job category and level of seniority. Although female representation is low in the trade and mid-level categories, the story is very different

in leadership positions. Four women sit on the company’s Management Committee, which is 40% of its executives, while five of the company’s 14 directors are female, equivalent to boardroom representation of 36%. Indeed, thanks that high figure, CIE Automotive has been included in the IBEX Gender Equality Index.

Refer to the section on “Shareholders”

Another way of driving female representation in manufacturing companies’ workforces in the long term is to encourage girls to study STEM subjects at school and the STEM Planet robotics project, in which a number of industrial firms, including CIE Automotive, participate, aims to stimulate scientific vocations and the acquisition of technological skills.

Refer to the section on “Society”

GENDER INDICATORS

|                                                | 2021 | 2022 |
|------------------------------------------------|------|------|
| % of female employees                          | 18%  | 18%  |
| % of new hires                                 | 22%  | 19%  |
| % of women on the group's Management Committee | 40%  | 40%  |
| % of women on the Board of Directors           | 38%  | 36%  |
| % gender pay gap*                              | 7%   | 5%   |

(\*) This ratio is calculated as the average earnings of men minus the average earnings of women, divided by the average earnings of men.



Gender pay gap

In 2022, having carried out multiple diversity assessments under the scope of the corporate plan and implemented the first action plans at group factories, the pay gap narrowed by two points by comparison with prior years, with average female pay equivalent to 95% of the men’s average wages (2021: 93%).

Despite the progress made, there is still a 5% gap between what men and women earn at the company. Without adjusting by their geographic presence or job categories, women at CIE Automotive earn €17,997 on average, compared to the €18,969 earned by their male counterparts.

However, the gender pay gap varies by job category. Among graduates and mid-level positions, women at CIE earn more than their male peers, at 110%, while in the most populous job category, trades-men and women, female employees earn 3% less than the men on average.

Although those figures mark a significant improvement from last year, CIE Automotive believes that, once of all of the diversity assessments and other plans contemplated in the 2025 Strategic Plan are complete, the pay gap will narrow further in the coming years.

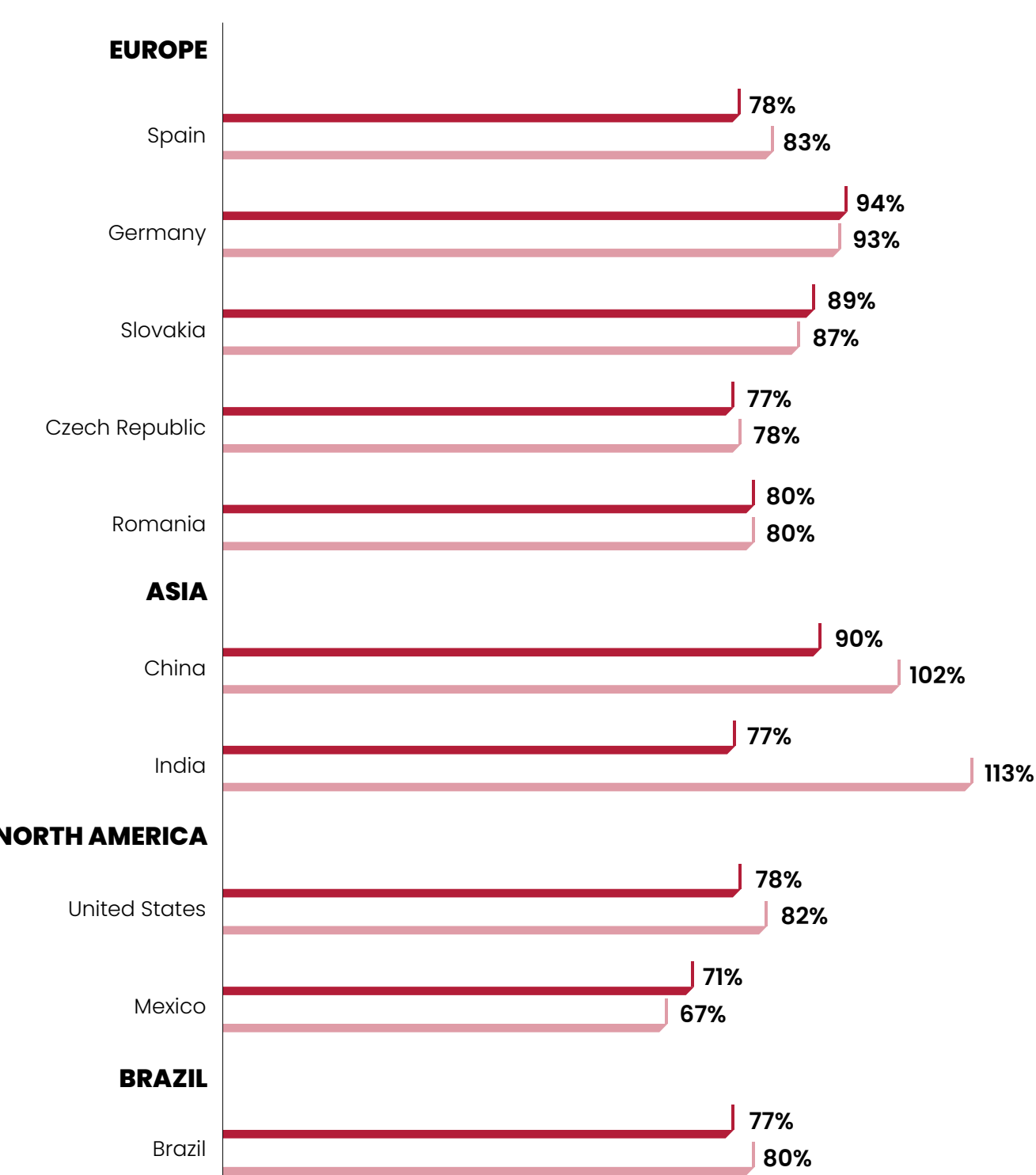
The gender pay gap calculations are based on gross earnings per employee, including fixed remuneration and cash or in-kind bonuses (they do not factor in national insurance contributions).

| GENDER PAY GAP*                     |               |                  |          |               |                  |          |
|-------------------------------------|---------------|------------------|----------|---------------|------------------|----------|
| 2021*                               |               |                  |          | 2022**        |                  |          |
| AGGREGATE pay gap                   | No. of people | Average earnings | % gap*** | No. of people | Average earnings | % gap*** |
| Men                                 | 20,311        | 17,064           | 93%      | 20,332        | 18,969           | 95%      |
| Women                               | 4,509         | 15,796           |          | 4,573         | 17,997           |          |
| Gender pay gap BY EMPLOYEE CATEGORY |               |                  |          |               |                  |          |
| Executives – M                      | 867           | 60,895           | 121%     | 871           | 65,747           | 97%      |
| Executives – W                      | 102           | 73,491           |          | 112           | 63,713           |          |
| Graduates – M                       | 5,660         | 20,541           | 108%     | 5,731         | 22,059           | 110%     |
| Graduates – W                       | 1,198         | 22,142           |          | 1,169         | 24,214           |          |
| Tradesmen                           | 13,783        | 12,880           | 90%      | 13,730        | 14,711           | 97%      |
| Tradeswomen                         | 3,210         | 11,595           |          | 3,292         | 14,229           |          |

(\*) Includes 692 employees at the German operations classified as discontinued. (\*\*) Includes 676 employees at the German operations classified as discontinued.  
(\*\*\*) The % gaps included in this table are the average earnings of women divided by the average earnings of men for each category shown.

Following implementation  
of the first diversity  
action plans,  
the gender pay gap  
has decreased  
by 2 points

Gender pay gap by significant location



2022 2021

As we have just seen, the Group’s overall gender pay gap declined by 2 percentage points in 2022, from 7% to 5%.

By region the situation is varied and nuanced:

**Europe**  
The gender pay gap was similar to 2021 levels across the European markets. Germany stood out with a pay gap of just 6%, having improved that metric during the year. In Spain, the Czech Republic and Romania, the pay gap is closer to 20%, compared to a narrower 10% in Slovakia.

**Brazil**  
The gender pay gap in Brazil stood at 20% in 2022, similar to 2021 levels. Following completion of corporate diversity assessments, Brazil is currently designing and executing action plans which are expected to drive a reduction in that gap at certain facilities.

**Asia**  
As shown in the tables provided in this report, the number of women working in our factories in India and China is very low. That means that the gender pay gap calculations can fluctuate significantly in years of significant female hiring, as was the case in 2022, notably in India, which doubled its female headcount.

**North America**  
In Mexico, where a number of diversity assessments were completed, the gender pay gap decreased by four points, with a number of action plans currently in progress. The situation in the US, however, has been marked by high personnel rotation, in part due to COVID-related assistance plans. In that market, therefore, it has been harder to close the gap and at the same time make the required hires.

# Our employee value proposition

CIE Automotive offers its employees decent working conditions, remuneration in line with the work they perform and the training and safety conditions needed to do their jobs. It respects its employees' right to exercise freedom of association and to collective bargaining, regardless of the country they are working in.

Those commitments are formally enshrined in the company's Human Rights Policy, which is signed by all factory and HR managers, and is worded in conformity with the International Labour Organization's fundamental conventions and the labour principles set down in the United Nations Global Compact.

To ensure those rights are upheld, the company conducts a survey every year to identify the factories at risk of breaching them, taking opportune measures as necessary. In 2022, 100% of the group's factories filled out that survey, with all responding that they had identified no such risks.

| COMMITMENTS                                                                                    | ACTION TAKEN IN 2022                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provision of decent work                                                                       | <ul style="list-style-type: none"><li>• Remuneration aligned with the job, dedication and performance and above minimum wages in all regions.</li></ul>                                                                                                                                                                                                 |
| Prevention of discriminatory practices                                                         | <ul style="list-style-type: none"><li>• Diversity assessments at 50% of CIE Automotive's factories (53 factories).</li><li>• Application of the Harassment Protocol in 16 cases.</li></ul>                                                                                                                                                              |
| Zero-tolerance stance on compulsory or child labour                                            | <ul style="list-style-type: none"><li>• None of the factories surveyed in 2022 identified risks of forced or child labour.</li></ul>                                                                                                                                                                                                                    |
| Protection of people's safe and healthy                                                        | <ul style="list-style-type: none"><li>• Reduction of the injury frequency and severity rates to 6.82 (2021: 8.66) and 0.13 (2021: 0.15), respectively.</li><li>• Reduction in the number of workplace injuries to 368 (2021: 447) and of work-related illnesses to 22 (2021: 29).</li><li>• Over 196,000 hours of health and safety training.</li></ul> |
| Facilitation of collective bargaining and freedom of association                               | <ul style="list-style-type: none"><li>• 57% of employees under collective bargaining agreements.</li></ul>                                                                                                                                                                                                                                              |
| Promotion of a culture of respect for human rights and employee awareness-raising in this area | <ul style="list-style-type: none"><li>• Over 19,000 hours of human rights training.</li></ul>                                                                                                                                                                                                                                                           |
| Respect for indigenous and local communities                                                   | <ul style="list-style-type: none"><li>• 91% of factory managers are local.</li><li>• 92% of factory management committee members are local.</li></ul>                                                                                                                                                                                                   |
| Contribution to the effort to fight corruption and protect privacy                             | <ul style="list-style-type: none"><li>• 14,468 hours of governance-related training.</li></ul>                                                                                                                                                                                                                                                          |



JOB STABILITY AND  
EMPLOYEE REMUNERATION

CIE Automotive offers its employees the best possible employment terms and conditions, articulated around decent pay and job stability.

| EMPLOYMENT CATEGORIES<br>AND EMPLOYMENT TYPE |        |        |
|----------------------------------------------|--------|--------|
| Contract type                                | 2021   | 2022   |
| Permanent                                    | 21,365 | 21,112 |
| Temporary                                    | 3,107  | 3,874  |
| Total                                        | 24,472 | 24,986 |
| Full-time                                    | 24,318 | 24,843 |
| Part-time                                    | 154    | 143    |
| Total                                        | 24,472 | 24,986 |

Eighty-five per cent of the workforce (over 21,100 employees) are on permanent contracts, with the remaining 15% (over 3,800 employees) on temporary contracts. By region, permanent contracts represent 96% and 92% of the total in Europe and Brazil, respectively, compared to 85% in North America and 74% in Asia.

As for employment types, most of the company's employees, as shown in the table above, work full time, with just 143 employees on part-time contracts.

CIE Automotive's employees earn a fixed wage, in line with the nature of their work and on-the-job performance. Some 7,340 employees also received a bonus in 2022 as a result of delivery of specific targets, excellence in their functions or outperformance, as assessed using the company's professional development tool.

Employee remuneration at CIE Automotive complies with and often exceeds the minimum wage requirements in each country. That fact is verified by the corporate Human Resources Department whenever the company makes an acquisition to confirm compliance with the law and make sure incoming employees have the same entitlements as the rest of the group's employees.

Aside from wages, the company supports its employees with a series of company supportive measures which enhance their and their families' quality of living and generate a sense of belonging. Those initiatives entailed an investment of over €30 million in 2022.

COMPANY  
SUPPORT ACTIONS

**Around €21 million in health insurance or in-house medical services:**

- United Healthcare, among others, at certain US factories.
- Premium health checks in some instances in Slovakia.
- Private health insurance coverage at the Spanish, Brazilian, Chinese and Mexican factories, among others.
- Specific COVID-19 coverage built into the group's travel insurance, to be refashioned into pandemic insurance coverage (COVID or other) in the future.

**Over €7 million earmarked to food services:**

- Fully or partially subsidised company canteens.
- Food vouchers (with and without tax benefits).

**Around €6 million of transport assistance:**

- Transport service for candidates for working at the Mexican factories.
- In-house buses and transport services
- Company cars and transport vouchers.

**Around €0.5 million earmarked to education:**

- University Support Fund at Brazilian factories.
- Prizes for the children of employees with the best school grades at Mexican factories.
- Higher Education Support Programme at the factories in Portugal.

RIGHT TO COLLECTIVE  
BARGAINING

CIE Automotive respects its employees’ right to exercise freedom of association and collective bargaining, engaging with its workers’ representatives not only in Europe but also in less unionised countries. In 2022, 57% of employees were covered by collective bargaining agreements.

Over the course of the year, the company entered into 44 collective bargaining agreements (regional, sectoral and some factory-specific) at a number of facilities in the following countries: Mexico, Brazil, Czech Republic, Italy, Spain, India, Portugal, Germany, China, Slovakia, France and Romania.

Those agreements specifically include company obligations with respect to occupational health, that being one of the most important topics addressed, with several involving the creation of joint management-worker health and safety committees.

| EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS BY COUNTRY |                   |                                                                  |      |                   |                                                                  |      |
|------------------------------------------------------------------|-------------------|------------------------------------------------------------------|------|-------------------|------------------------------------------------------------------|------|
| Country                                                          | WORKFORCE<br>2021 | Employees covered by<br>collective bargaining<br>agreements 2021 | %    | WORKFORCE<br>2022 | Employees covered by<br>collective bargaining<br>agreements 2022 | %    |
| Brazil                                                           | 2,662             | 2,654                                                            | 100% | 2,901             | 2,898                                                            | 100% |
| China                                                            | 1,514             | 342                                                              | 23%  | 1,525             | 367                                                              | 24%  |
| Czech Republic                                                   | 607               | 170                                                              | 28%  | 560               | 278                                                              | 50%  |
| France                                                           | 318               | 318                                                              | 100% | 289               | 289                                                              | 100% |
| Germany*                                                         | 817               | 759                                                              | 93%  | 793               | 747                                                              | 94%  |
| India                                                            | 6,956             | 2,653                                                            | 38%  | 7,389             | 2,555                                                            | 35%  |
| Italy                                                            | 443               | 440                                                              | 99%  | 429               | 426                                                              | 99%  |
| Korea                                                            | 1                 | 0                                                                | 0%   | 2                 | 0                                                                | 0%   |
| Lithuania                                                        | 218               | 0                                                                | 0%   | 225               | 0                                                                | 0%   |
| Mexico                                                           | 5,381             | 3,494                                                            | 65%  | 5,384             | 3,538                                                            | 66%  |
| Morocco                                                          | 101               | 0                                                                | 0%   | 74                | 0                                                                | 0%   |
| Netherlands                                                      | 4                 | 0                                                                | 0%   | 4                 | 0                                                                | 0%   |
| Portugal                                                         | 296               | 296                                                              | 100% | 280               | 280                                                              | 100% |
| Romania                                                          | 560               | 560                                                              | 100% | 544               | 541                                                              | 99%  |
| Russia                                                           | 65                | 0                                                                | 0%   | 42                | 0                                                                | 0%   |
| Slovakia                                                         | 654               | 161                                                              | 25%  | 558               | 145                                                              | 26%  |
| Spain                                                            | 2,296             | 2,257                                                            | 98%  | 2,315             | 2,215                                                            | 96%  |
| United States                                                    | 1,579             | 0                                                                | 0%   | 1,672             | 0                                                                | 0%   |
| Total                                                            | 24,472            | 14,104                                                           | 58%  | 24,986            | 14,279                                                           | 57%  |

In 2022, includes 676 employees at the German operations classified as discontinued (2021: 692 employees)



Employee communication

The main channels used to reach out to employees are the dashboard and corporate intranet. There is also a six-monthly newsletter in which the company shares the most significant financial and business developments, as well as reporting on social and environmental aspects.

To learn what is of concern to its employees, CIE Automotive conducts a workplace climate survey at every factory every two years. It carried out 39 such surveys in 2022, obtaining an average score of 7.4 points out of 10 (2021: 27 surveys | score of 7.2 out of 10).

The results of those surveys are used to draw up annual or two-year plans for improving employee satisfaction. The initiatives set in motion in 2022 to improve the workplace climate included:

- Continued improvement in corporate communication with the aim of fostering an open and transparent communication climate.
- More prominent advertising of internal vacancies in corporate positions.
- Implementation of recognition and reward programmes to drive employee motivation at several factories.
- Modernisation and upgrade work at certain facilities.



Nearly 75% of group factories have flexibility  
and work-life balance measures in place

Organisation of working hours

In keeping with its decentralised management approach, CIE Automotive introduces the flexibility and work-life balance measures that best suit each factory, division or country. Nearly 75% of its factories have flexibility measures in place.

The most common measures across the group include: staggered work start and end times; fine-tuning of working hours to protect family time; the possibility of working from home; days of maternity and paternity leave beyond the legally stipulated minimum; and care for pregnant employees.

Among those widespread initiatives it is worth highlighting those designed to facilitate work-life balance and encourage joint responsibility for parenting; such measures were in place at over 70% of the group’s workplaces in 2022.

Right to disconnect

The right to disconnect is another of the aspects CIE Automotive is focusing on in order to ensure and safeguard employee wellbeing and satisfaction.

At year-end, eight workplaces in Spain, Germany, Slovakia, the Czech Republic, France and Brazil had specific right-to-disconnect policies to ensure the required measures are taken to guarantee disengagement from work-related electronic communications (computers, company phones, etc.) outside of working hours and during leaves of absence and holidays.

Absenteeism

In 2022, the absenteeism ratio was 4%, down one point from 2021, implying the loss of 2,778,029 hours of work.

# Training and mobility

CIE Automotive’s people are the force underpinning its sustainable profitability. To that end it provides them with new skills, offering them growth opportunities via training and mobility.

In 2022, the group imparted 812,332 hours of training, nearly 100k more than in 2021. The breakdown by employee category was 25,015 hours for executives, 223,042 hours for university graduates and 564,275 hours for factory workers.

| TRAINING HOURS BY EMPLOYEE CATEGORY* |                          |         |                                     |        |
|--------------------------------------|--------------------------|---------|-------------------------------------|--------|
| Employee category                    | Number of training hours |         | No, of employees receiving training |        |
|                                      | 2021                     | 2022    | 2021                                | 2022   |
| Executives                           | 21,923                   | 25,015  | 843                                 | 726    |
| Graduates                            | 184,863                  | 223,042 | 6,675                               | 5,888  |
| Tradespeople                         | 490,020                  | 564,275 | 13,626                              | 13,970 |
| Total                                | 696,806                  | 812,332 | 21,144                              | 20,584 |

| TRAINING IN 2022*          |         |         |         |
|----------------------------|---------|---------|---------|
|                            | Men     | Women   | Total   |
| Training hours             | 625,862 | 186,470 | 812,332 |
| Employees trained          | 16,703  | 3881    | 20,584  |
| CIE people                 | 20,392  | 4,594   | 24,986  |
| Hours per trained employee | 38      | 48      | 40      |
| Hours per employee         | 31      | 41      | 33      |

| EMPLOYEES RECEIVING TRAINING BY GENDER, %* |      |      |
|--------------------------------------------|------|------|
|                                            | 2021 | 2022 |
| Employees receiving training, %            | 86%  | 82%  |
| Male employees receiving training, %       | 86%  | 81%  |
| Female employees receiving training, %     | 85%  | 84%  |

(\*) In 2022, includes 676 employees at the German operations classified as discontinued (2021: 692 employees)



TRAINING BY REGION IN 2022

|               | TOTAL TRAINING HOURS |         |         | TOTAL NO. OF PEOPLE TRAINED |       |        | HOURS PER EMPLOYEE TRAINED |       |       | HOURS PER EMPLOYEE CIE |       |       |
|---------------|----------------------|---------|---------|-----------------------------|-------|--------|----------------------------|-------|-------|------------------------|-------|-------|
|               | MEN                  | WOMEN   | TOTAL   | MEN                         | WOMEN | TOTAL  | MEN                        | WOMEN | TOTAL | MEN                    | WOMEN | TOTAL |
| ASIA          | 185,516              | 14,457  | 199,973 | 6,329                       | 366   | 6,695  | 29                         | 40    | 30    | 22                     | 33    | 22    |
| BRAZIL        | 111,760              | 18,476  | 130,236 | 2,269                       | 265   | 2,534  | 49                         | 70    | 51    | 44                     | 49    | 50    |
| EUROPE*       | 97,528               | 36,019  | 133,547 | 3,505                       | 990   | 4,495  | 28                         | 36    | 30    | 21                     | 27    | 22    |
| NORTH AMERICA | 231,058              | 117,518 | 348,576 | 4,600                       | 2,260 | 6,860  | 50                         | 52    | 51    | 50                     | 49    | 49    |
| TOTAL         | 625,862              | 186,470 | 812,332 | 16,703                      | 3,881 | 20,584 | 38                         | 48    | 40    | 31                     | 41    | 33    |

TRAINING ON HUMAN RIGHTS BY REGION IN 2022

|               | TOTAL TRAINING HOURS |       |        | TOTAL NO. OF PEOPLE TRAINED |       |       | HOURS PER EMPLOYEE TRAINED |       |       |
|---------------|----------------------|-------|--------|-----------------------------|-------|-------|----------------------------|-------|-------|
|               | MEN                  | WOMEN | TOTAL  | MEN                         | WOMEN | TOTAL | MEN                        | WOMEN | TOTAL |
| ASIA          | 2,365                | 270   | 2,635  | 344                         | 97    | 441   | 7                          | 3     | 6     |
| BRAZIL        | 932                  | 211   | 1,143  | 182                         | 6     | 188   | 5                          | 35    | 6     |
| EUROPE*       | 2,615                | 1,113 | 3,728  | 643                         | 267   | 910   | 4                          | 4     | 4     |
| NORTH AMERICA | 7,281                | 4,844 | 12,125 | 2,531                       | 1,746 | 4,277 | 3                          | 3     | 3     |
| TOTAL         | 13,193               | 6,438 | 19,631 | 3,700                       | 2,116 | 5,816 | 4                          | 3     | 3     |

TRAINING ON HEALTH AND SAFETY BY REGION IN 2022

|               | TOTAL TRAINING HOURS |        |         | TOTAL NO. OF PEOPLE TRAINED |       |        | HOURS PER EMPLOYEE TRAINED |       |       |
|---------------|----------------------|--------|---------|-----------------------------|-------|--------|----------------------------|-------|-------|
|               | MEN                  | WOMEN  | TOTAL   | MEN                         | WOMEN | TOTAL  | MEN                        | WOMEN | TOTAL |
| ASIA          | 63,905               | 2,998  | 66,903  | 3,207                       | 239   | 3,446  | 20                         | 13    | 19    |
| BRAZIL        | 19,668               | 1,789  | 21,457  | 1,438                       | 62    | 1,500  | 14                         | 29    | 14    |
| EUROPE*       | 17,226               | 7,875  | 25,101  | 1,428                       | 358   | 1,786  | 12                         | 22    | 14    |
| NORTH AMERICA | 52,689               | 30,072 | 82,761  | 3,968                       | 2,145 | 6,113  | 13                         | 14    | 14    |
| TOTAL         | 153,488              | 42,734 | 196,222 | 10,041                      | 2,804 | 12,845 | 15                         | 15    | 15    |

(\*) In 2022, includes 676 employees at the German operations classified as discontinued (2021: 692 employees)

Training map at CIE Automotive (at year-end)

202

Although the majority of employees who benefitted from training programme were men - 82% - reflecting the company's predominantly male workforce, the number of training hours received by female employees (48 hours per female employee trained) was higher compared to their male colleagues (38 hours per male employee trained). That phenomenon was common to all regions.

|                        |                                   |      |
|------------------------|-----------------------------------|------|
| CIE AUTOMOTIVE (TOTAL) | Training hours                    |      |
|                        | 812,332                           |      |
|                        | Employees trained                 |      |
|                        | 20,584                            |      |
|                        | Training hours per person         |      |
|                        | 33                                |      |
|                        | M 31                              | W 41 |
|                        | Training hours per person trained |      |
|                        | 40                                |      |
|                        | M 38                              | W 48 |

|               |                                   |      |
|---------------|-----------------------------------|------|
| NORTH AMERICA | Training hours                    |      |
|               | 348,576                           |      |
|               | Employees trained                 |      |
|               | 6,860                             |      |
|               | Training hours per person         |      |
|               | 49                                |      |
|               | M 50                              | W 49 |
|               | Training hours per person trained |      |
|               | 51                                |      |
|               | M 50                              | W 52 |

|        |                                   |      |
|--------|-----------------------------------|------|
| EUROPE | Training hours                    |      |
|        | 133,547                           |      |
|        | Employees trained                 |      |
|        | 4,495                             |      |
|        | Training hours per person         |      |
|        | 22                                |      |
|        | M 21                              | W 27 |
|        | Training hours per person trained |      |
|        | 30                                |      |
|        | M 28                              | W 36 |

|        |                                   |      |
|--------|-----------------------------------|------|
| BRAZIL | Training hours                    |      |
|        | 130,236                           |      |
|        | Employees trained                 |      |
|        | 2,534                             |      |
|        | Training hours per person         |      |
|        | 45                                |      |
|        | M 44                              | W 49 |
|        | Training hours per person trained |      |
|        | 51                                |      |
|        | M 49                              | W 70 |

|      |                                   |      |
|------|-----------------------------------|------|
| ASIA | Training hours                    |      |
|      | 199,973                           |      |
|      | Employees trained                 |      |
|      | 6,695                             |      |
|      | Training hours per person         |      |
|      | 22                                |      |
|      | M 22                              | W 33 |
|      | Training hours per person trained |      |
|      | 30                                |      |
|      | M 29                              | W 40 |

Job training is aimed at facilitating acquisition of the skills needed to enable effective job performance.

Some of the company’s training effort is decentralised, taking place at each factory, in keeping with the guidelines set down in the Training Plan Procedure. That plan indicates the phases each factory’s training programmes need to follow: identification of training needs, planning, definition, execution, evaluation and feedback.

In addition, the corporate Human Resources Department makes an open-ended proposal to the company’s factories each year setting out all of the training initiatives to be undertaken during the following year in a centralised manner. Those initiatives are focused on advanced management and interpersonal skills for people with certain abilities and/or potential, ESG training programmes and training on the Code of Conduct.

The training provided in 2022 emphasised traditional core areas of people management (health and safety, soft skills, and technical training) and other subjects that are relatively new in the world of business, such as ESG and human rights.

ESG training

The provision of training on environmental, social and governance matters to the factory management teams is one of the top priorities in the Strategic Plan which targets its provision to all members of the facilities’ management committees worldwide by 2025.

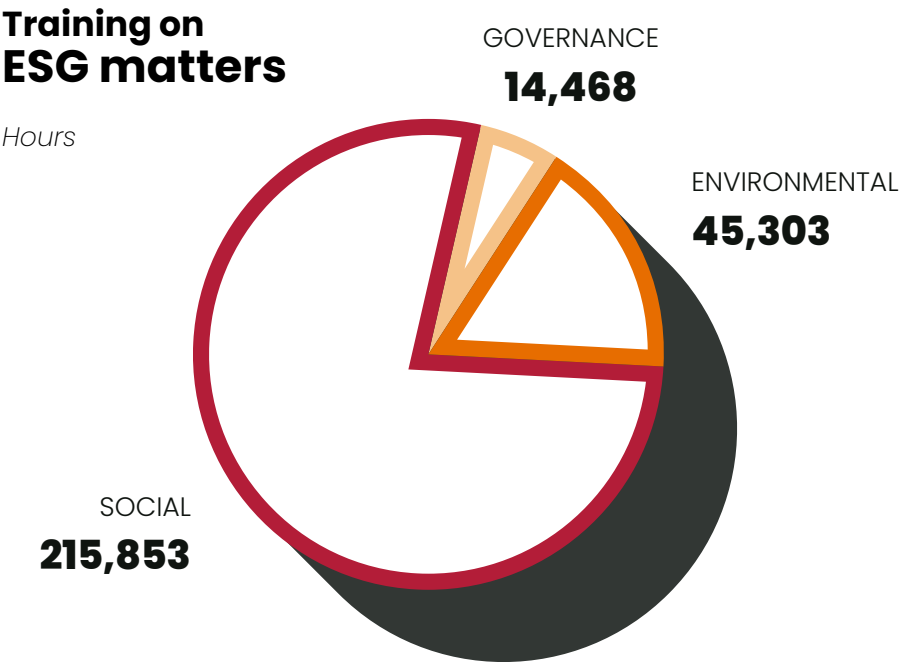
As of 31 December 2022, 490 of the 545 members of the management committees of CIE Automotive’s factories had received ESG training, which means that 90% of the group’s management committee are compliant with that target, zeroing in, therefore, on the Strategic Plan 2025 goal of getting all of them ESG-trained. That percentage is up very substantially from the year-end 2021 figure of 67%.

The company also provided corporate training to the sales teams and in years to come, in response to feedback from the factories in the course of the diversity and inclusion assessments on Leadership Sponsorship, it is likely that the management committees will also receive diversity-related training.

By year-end 2022, 490 of the 545 factor management committee members had received ESG training

| HOURS OF TRAINING ON ESG MATTERS |         |
|----------------------------------|---------|
| Environmental                    | 45,303  |
| Social                           | 215,853 |
| - Health & safety                | 196,222 |
| - Human rights                   | 19,631  |
| Governance                       | 14,468  |

For further information, refer to “Progress made on the ESG front”





Human rights training

As for the training provided on human rights matters, CIE Automotive devoted 19,631 hours to training initiatives for 5,816 employees (almost 23% of the headcount) across 46 productive facilities worldwide.

| HOURS OF TRAINING<br>ON HUMAN RIGHTS MATTERS |        |       |        |
|----------------------------------------------|--------|-------|--------|
|                                              | Men    | Women | Total  |
| 2021                                         |        |       |        |
| Hours                                        | 18,374 | 8,584 | 26,958 |
| Employees trained                            | 6,514  | 2,019 | 8,533  |
| 2022                                         |        |       |        |
| Hours                                        | 13,193 | 6,438 | 19,631 |
| Employees trained                            | 3,700  | 2,116 | 5,816  |



CIE Automotive imparted **19,631 hours**  
**of human rights-related training to 5,816**  
**employees in 2022**



EXPANSION OF THE ULYSSES PROGRAMME

Transmitting the same culture to all the people comprising CIE Automotive, no matter which country they work in, and raising their profile within the company by means of mobility are key aspects of the human capital management effort, as set down in the 2025 ESG Plan.

One of the most important initiatives designed to deliver that cohesion is the Ulysses Programme, a project that combines mobility and talent management, in which young professionals from different factories and countries attend an outstanding vocational training centre in the Basque region of Spain before receiving on-the-job training at the company’s legacy factories in Spain.

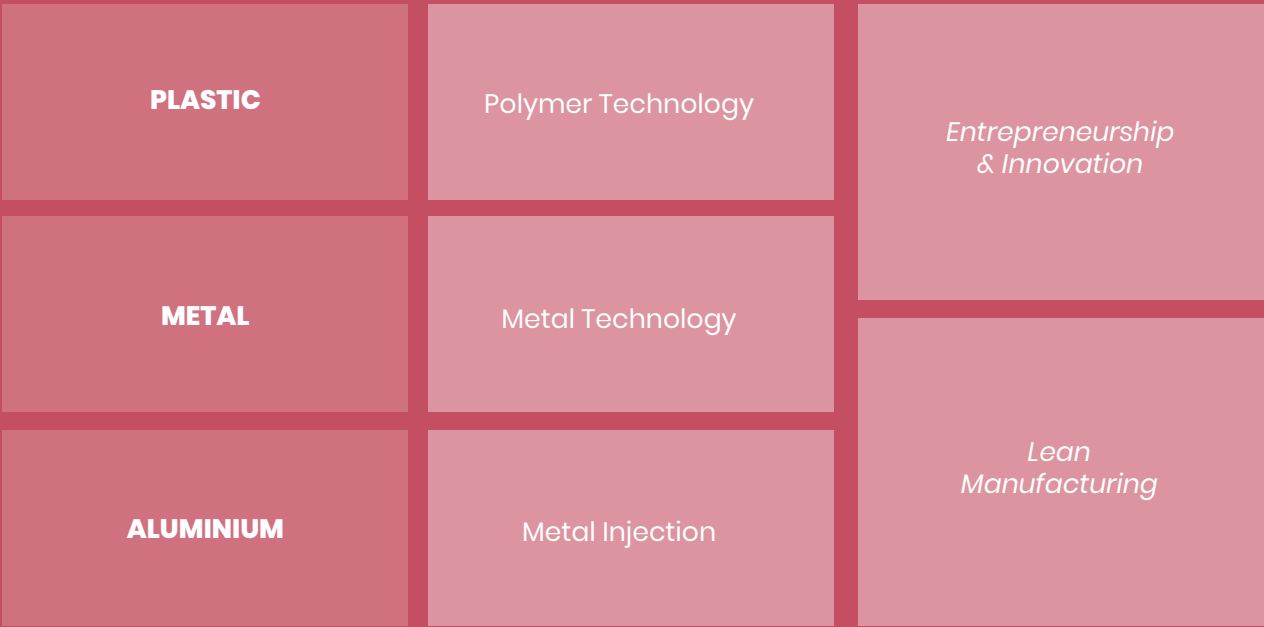
In that way it delivers four objectives: embedding the group’s values; facilitating cross-country engagement down the line; generating intragroup relationships; and providing the group with professionals trained in excellence.

A total of 12 students from Mexico, Brazil and India are currently participating in the second edition of the Ulysses Programme, which started in October 2022. The company is therefore on track to attain the target set in the 2025 Strategic Plan of having at least 15 students from three different home countries in the programme, with at least 80% of those participants still working for the group two years after completing their training.

ULYSSES PROGRAMME TARGET DELIVERY

|                                        | 2021-2022            |                   | 2022-2023            |                   | 2025 TARGET                  |
|----------------------------------------|----------------------|-------------------|----------------------|-------------------|------------------------------|
|                                        | Milestones 2021-2022 | Level of delivery | Milestones 2022-2023 | Level of delivery |                              |
| No. of students                        | 10                   | 67%               | 12                   | 80%               | 15                           |
| No. of home countries                  | 2                    | 67%               | 3                    | 100%              | 3                            |
| No. of participants still at the group | 9                    | 90%               | 9                    | 90%               | 80% in employment 2 years on |

(\*) The students of promotion 22/23 are taking the course at the time of publication of this report.



Phases of the programme

**Phase 1:** Depending on the originating factory, the students participate in different technology modules (plastic, metal or aluminium). Then there are two common modules addressing key soft skills and the company’s lean management philosophy: Entrepreneurship & Innovation and Lean Manufacturing.

**Phase 2:** The students spend several months at a factory. A large number of CIE Automotive’s legacy plants are involved in this training initiative: CIE Orbelan, CIE Inyectametal, CIE Udalbide, CIE Egaña, CIE Galfor, CIE Alcasting, CIE Gameko, CIE Mecauto and CIE Vilanova

In addition, the students got the chance to visit the engineering centre and laboratory in Amorebieta and attend educational chats given by the heads of our corporate departments. During the first edition, they were visited by our Mexican business head and in this edition, by the heads of engineering, procurement, treasury operations, compliance, the internal audit function and ESG.

# Safe and healthy workplace

CIE Automotive provides its employees with a safe and healthy workplace and is committed to promoting healthy habits. Framed by its *Health and Safety Policy*, it complies with applicable health and safety regulations in all its business markets and works to uphold its stakeholders' legitimate interests.

### Target delivery

As per its Strategic Plan, the company is working to have all of its factories certified under ISO 45001, the international health and safety management system standard devised to protect employees and visitors from workplace injuries and illnesses. Driven by that strategy, as of 2022, it had certified 95, equivalent to 90% of the total. Note that three of the factories not yet certified are relatively new. We are therefore very much on track for attaining our strategic target of having all of our factories ISO 45001 certified by 2025.

Ten factories in Slovakia, Mexico, the US and India were certified in 2022.

### Performance indicators

For more than 15 years now we have been monitoring three key safety indicators to track our progress: the injury frequency rate, the injury severity rate and the number of lost-time injuries. To round out the information gleaned from those indicators, we conduct an annual survey at each factory, CIE Safety, the goal being for the facilities to score at least 85%. To improve on any negative aspects, we require the individual factories to introduce specific measures in their annual health and safety plans. In 2022, 95% of the group's factories topped the established threshold and the rest drafted action plans designed to achieve the minimum acceptable survey score (85 points out of 100).

The injury frequency and severity indicators continue to trend towards record lows, despite the undeniable risk posed by the pandemic. Specifically, the severity injury severity rate fell to 0.13, while the frequency rate came in at 6.82.

There were 368 lost-time injuries during the year, of which 56 affected women and the other 312, men, marking a clearcut decline from the 447 recorded in 2021 (affecting 382 men and 65 women). Of the total, 356 were mild and 12 were classified as serious, although there were no fatalities.

CIE Automotive recorded a total of 22 cases of work-related ill health (affecting 16 men and 6 women), down from 29 the year before (26 men and 3 women).

As for subcontractors, there were no serious or fatal accidents.

| INJURY METRICS                   |        |       |        |       |
|----------------------------------|--------|-------|--------|-------|
|                                  | 2021   |       | 2022   |       |
| Lost-time injuries*              | 447    |       | 368    |       |
|                                  | M: 382 | W: 65 | M: 312 | W: 56 |
| Cases of work-related ill health | 29     |       | 22     |       |
|                                  | M: 26  | W: 3  | M: 16  | W: 6  |
| Injury frequency rate**          | 8.66   |       | 6.82   |       |
| Injury severity rate***          | 0.15   |       | 0.13   |       |
| Absenteeism****                  | 5%     |       | 4%     |       |

(\*) Injury: an accident occurring at work that causes at least one lost day.  
(\*\*) Frequency: injuries per million hours worked.  
(\*\*\*) Severity: days lost due to injuries per thousand hours worked.  
(\*\*\*\*) Absenteeism: absences not substantiated by holidays or other leave.

This page provides breakdowns of the injuries recorded by severity and by gender; the number of cases of work-related ill health by gender and region; and absenteeism rates by region.

| INJURIES BY SEVERITY, 2022 |            |            |
|----------------------------|------------|------------|
|                            | 2021       | 2022       |
| Mild injuries              | 437        | 356        |
| Severe injuries            | 10         | 12         |
| Fatalities                 | 0          | 0          |
| <b>TOTAL</b>               | <b>447</b> | <b>368</b> |

| INJURIES BY GENDER, 2022 |            |           |            |
|--------------------------|------------|-----------|------------|
|                          | Men        | Women     | Total      |
| Mild injuries            | 301        | 55        | <b>356</b> |
| Severe injuries          | 11         | 1         | <b>12</b>  |
| Fatalities               | 0          | 0         | <b>0</b>   |
| <b>TOTAL</b>             | <b>312</b> | <b>56</b> | <b>368</b> |

| CASES OF WORK-RELATED ILL HEALTH BY<br>GENDER AND REGION, 2022 |           |          |           |
|----------------------------------------------------------------|-----------|----------|-----------|
|                                                                | Men       | Women    | Total     |
| ASIA                                                           | 0         | 0        | <b>0</b>  |
| BRAZIL                                                         | 3         | 1        | <b>4</b>  |
| EUROPE                                                         | 13        | 4        | <b>17</b> |
| NORTH AMERICA                                                  | 0         | 1        | <b>1</b>  |
| <b>TOTAL</b>                                                   | <b>16</b> | <b>6</b> | <b>22</b> |

| REGIONAL CONTRIBUTIONS<br>TO THE SEVERITY RATE, 2022 |             |
|------------------------------------------------------|-------------|
| ASIA                                                 | 0.01        |
| BRAZIL                                               | 0.01        |
| EUROPE                                               | 0.09        |
| NORTH AMERICA                                        | 0.02        |
| <b>TOTAL</b>                                         | <b>0.13</b> |

| AVERAGE ABSENTEEISM RATE<br>BY REGION, 2022 |           |
|---------------------------------------------|-----------|
| ASIA                                        | 3%        |
| BRAZIL                                      | 3%        |
| EUROPE                                      | 9%        |
| NORTH AMERICA                               | 2%        |
| <b>TOTAL</b>                                | <b>4%</b> |



Workplace health and safety model

Organisationally, CIE Automotive has an outside safety service that covers the four legally-stipulated areas of accident prevention expertise and a health and safety officer at each of its productive facilities.

That effort is shored up by a corporate health and safety department which regularly audits the factories, maintains the corporate intranet and serves as contact point for issues related with occupational health and safety.

At the factory level, the safety staff inspect the adequacy of the company’s facilities, conduct emergency evacuation drills, provide training, assist with incident investigations and carry out awareness drives.

Each factory has its own health and safety plan, which is put together on the basis of a framework system that is subjected to continual audit as part of the group’s workplace safety management systems. This structure enables the company to adapt safety measures for each factory and evaluate the measures taken by it on this front as a whole. Individual action plans are formulated every year to deliver the targeted level of improvement defined on the basis of the prior year’s performance.

Every facility has a health and safety officer who, in addition to monitoring accidents and safety indicators, is tasked with ergonomics, making sure no-one is exposed to harmful substances, and physical and mental health monitoring.

Joint management–worker health and safety committees

As indicated in the section on collective bargaining coverage, it is customary for negotiations between the company and its employees’ unions to give rise to the creation of formal joint management-worker health and safety committees at our factories, particularly those operating under more stringent regulatory frameworks, as at our European facilities.

Worker training on occupational health and safety

Employees receive safety training tailored to the risks posed by their jobs. In 2022, CIE Automotive provided 196,222 hours of health and safety training to 12,845 employees (10,041 men and 2,804 women).

| OCCUPATIONAL HEALTH AND SAFETY TRAINING BY REGION AND GENDER |                                  |        |         |                                            |       |        |                            |       |       |
|--------------------------------------------------------------|----------------------------------|--------|---------|--------------------------------------------|-------|--------|----------------------------|-------|-------|
|                                                              | HEALTH AND SAFETY TRAINING HOURS |        |         | NO. OF PEOPLE TRAINED ON HEALTH AND SAFETY |       |        | HOURS PER EMPLOYEE TRAINED |       |       |
|                                                              | MEN                              | WOMEN  | TOTAL   | MEN                                        | WOMEN | TOTAL  | MEN                        | WOMEN | TOTAL |
| Asia                                                         | 63,905                           | 2,998  | 66,903  | 3,207                                      | 239   | 3,446  | 20                         | 13    | 19    |
| Brazil                                                       | 19,668                           | 1,789  | 21,457  | 1,438                                      | 62    | 1,500  | 14                         | 29    | 14    |
| Europe                                                       | 17,226                           | 7,875  | 25,101  | 1,428                                      | 358   | 1,786  | 12                         | 22    | 14    |
| North America                                                | 52,689                           | 30,072 | 82,781  | 3,968                                      | 2,145 | 6,113  | 13                         | 14    | 14    |
| TOTAL                                                        | 153,488                          | 42,734 | 196,222 | 10,041                                     | 2,804 | 12,845 | 15                         | 15    | 15    |

PRIZES

In addition to providing training, the MCIE group awards prizes to the factories with the best health and safety records. Having evaluated all of its facilities along 25 parameters, it gave four factories the Mahindra Safety Way Award in 2022: MPD-Bhosari, Stamping-Rudrapur, Nashik & Forging and Chakan.



# Suppliers



In 2022, CIE Automotive navigated the turbulence affecting the automotive sector’s global supply chains thanks to its “GLOCAL” approach – global management with a significant local component – articulated around excellence. Excellence in cost containment, excellence in guaranteeing uninterrupted supplies, without neglecting quality, and excellence in getting the supply chain meaningfully engaged around ESG goals. Aware that the procurement function has the power to make the organisation more resilient and responsible, CIE Automotive set an example by obtaining ISO 20400 Sustainable procurement certification, becoming the first automotive sector player in Spain to earn that seal.

| PROGRESS MADE IN 2022 – I                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ✓ CERTIFICATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <ul style="list-style-type: none"><li>• ISO 20400 Sustainable procurement certification at the group level. Compliance with that standard is audited following IFPSM (International Federation of Purchasing and Supply Management) guidelines.</li></ul>                                                                                                                                                                                                                                                                                                                                        |
| ✓ UPDATE OF THE “GLOCAL” MANAGEMENT PROCEDURES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <ul style="list-style-type: none"><li>• Reissue of the Global Supply Chain Manual.</li><li>• Reissue of the Conflict Minerals Policy and introduction of a due diligence plan.</li><li>• Update and dissemination of supply chain procedures, policies and standards.</li><li>• Reissue of the global General Purchasing Terms and Conditions to include an ESG compliance clause.</li><li>• Addition of new ESG-related requirements to internal supply chain management documents and requirements.</li><li>• Addition of specific ESG requirements to investment application forms.</li></ul> |

CIE Automotive is the Spanish first  
automotive player to obtain **ISO 20400**  
**Sustainable procurement**  
**certification**

**PROGRESS MADE IN 2022 – II**

✓ **RISK MANAGEMENT AND MITIGATION**

- New version of the Suppliers Portal to provide a tool for determining the ESG health of our suppliers.
- Quarterly tracking of the percentage of local suppliers and other supply chain KPIs needed to ensure smooth business management and good ESG practices.
- Specific ESG audits of suppliers.
- Update of the ESG risk matrix by purchasing product category.
- Development of the cybersecurity risk project.
- Compliance risk pilot test, together with an external expert, covering 50% of our supplier base.
- Definition of our Supply Chain Race to Zero project (scope 3 abatement).
- Initial working report on supply chain decarbonisation.

✓ **ACCOLADES**

- Consolidation of the ESG awards for the suppliers showing greatest commitment to the key issues.
- CIE Automotive received the AERCE award for the best socially responsible supply chain strategy.

✓ **SUPPLIER TRAINING AND OUTREACH**

- 100% of the procurement teams in India, Mexico, China, Europe, the US and Brazil received internal ESG training.
- ESG Suppliers Day event organised in a number of regions.

✓ **PROJECTS TO CHAMPION SUSTAINABLE PROCUREMENT**

- Execution of renewable energy supply agreements and other collaborative and energy efficiency projects.
- Execution of a number of collaborative ESG projects with stakeholders.

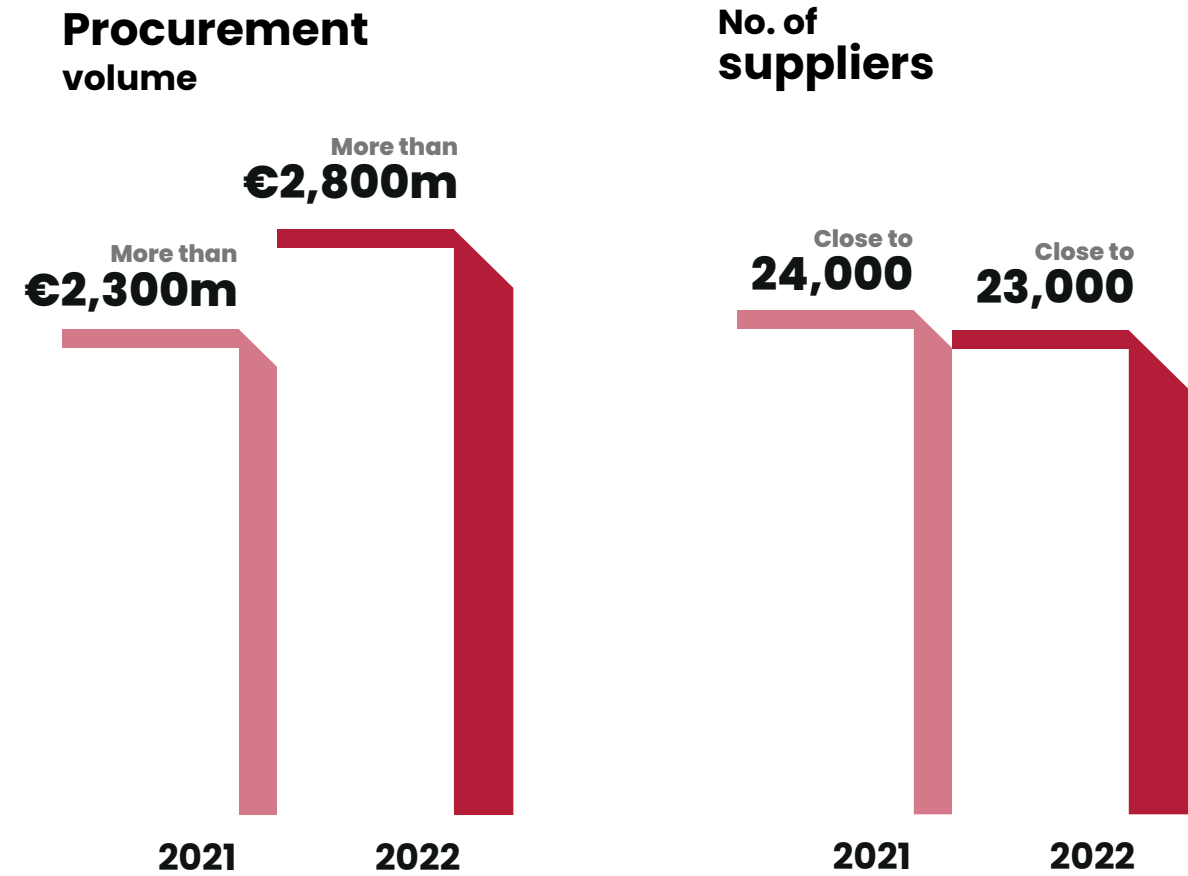


CHALLENGES FOR 2023

- Continuing to drive local sourcing, analysing its viability in each country.
- Increasing the number of specific ESG audits or process audits that include ESG considerations.
- Monitoring compliance risk across the supplier portfolio.
- Launching our Supply Chain Race to Zero project (scope 3).
- Driving the purchase of green energy in all regions (scope 2).
- Analysing the company's conventional combustion equipment and the possibility of electrifying it (scope 2).
- Promoting the ESG Suppliers Day event as a way of bringing small and medium sized suppliers into contact with ESG practices.
- Driving the environmental assessment of non-productive or indirect suppliers.
- Renewing our recently obtained ISO 20400 Sustainable procurement certification.
- Adding new features to the Suppliers Portal to enable internal visualisation of supplier audits.

The supply chain was key to enabling us to meet our corporate targets in 2022. Although the outbreak of war in Ukraine in 2022 exacerbated raw material shortage and inflation issues and fuelled inflation in transport and energy, the procurement teams managed to furnish the company with over €2.8 billion worth of goods and service purchases from close to 23,000 suppliers spread all over the world.

That testing situation once again demonstrated the procurement model's ability to deliver efficient and sustainable supply chain management in a complex environment, oriented around operational excellence and detecting synergies that have ultimately enabled rationalisation of the supplier base in order to enhance risk management.



Includes €170m of discontinued German forges in 2022 (2021: €137m).

Includes close to 1,000 suppliers to discontinued German forges in both 2021 and 2022.

# Sustainable procurement certification

In 2022, CIE Automotive earned ISO 20400 Sustainable procurement certification, attesting to the excellence of its procurement model and integration of ESG aspects into the supply chain in order to mitigate adverse impacts and contribute to delivery of the Sustainable Development Goals. The company was the first automotive sector player in Spain to obtain that certification.



ISO 20400 certification is valid for three years and is renewed annually as a function of compliance with the targets set down in the standard, which was awarded by the Spanish procurement professional association, AERCE, under the sustainable procurement requirements issued by the International Federation of Purchasing and Supply Management (IFPSM).

Following a complex audit involving most of the group's departments, the sustainability of the procurement process was verified on the basis of the following aspects **Procurement Policy**, selection and monitoring of suppliers, purchasing processes, ESG requirements in all group purchases, buyer training, risk management, purchase specifications and internal organisation.

This certification, which is based on UNE-15896 Value added purchasing management, is a testament to the procurement area's good practices and excellence and to its contribution

to and alignment with the company's sustainability and social responsibility policies. Highlights:

- Putting sustainability into practice in a tangible way.
- Engaging all members of the organisation around the sustainability concept.
- Articulating internal processes around sustainability.
- Developing a continuous training plan addressing sustainability implications.
- Implementing a pathway to excellence in sustainability within the organisation.
- Establishing a continuous innovation system articulated around sustainability.

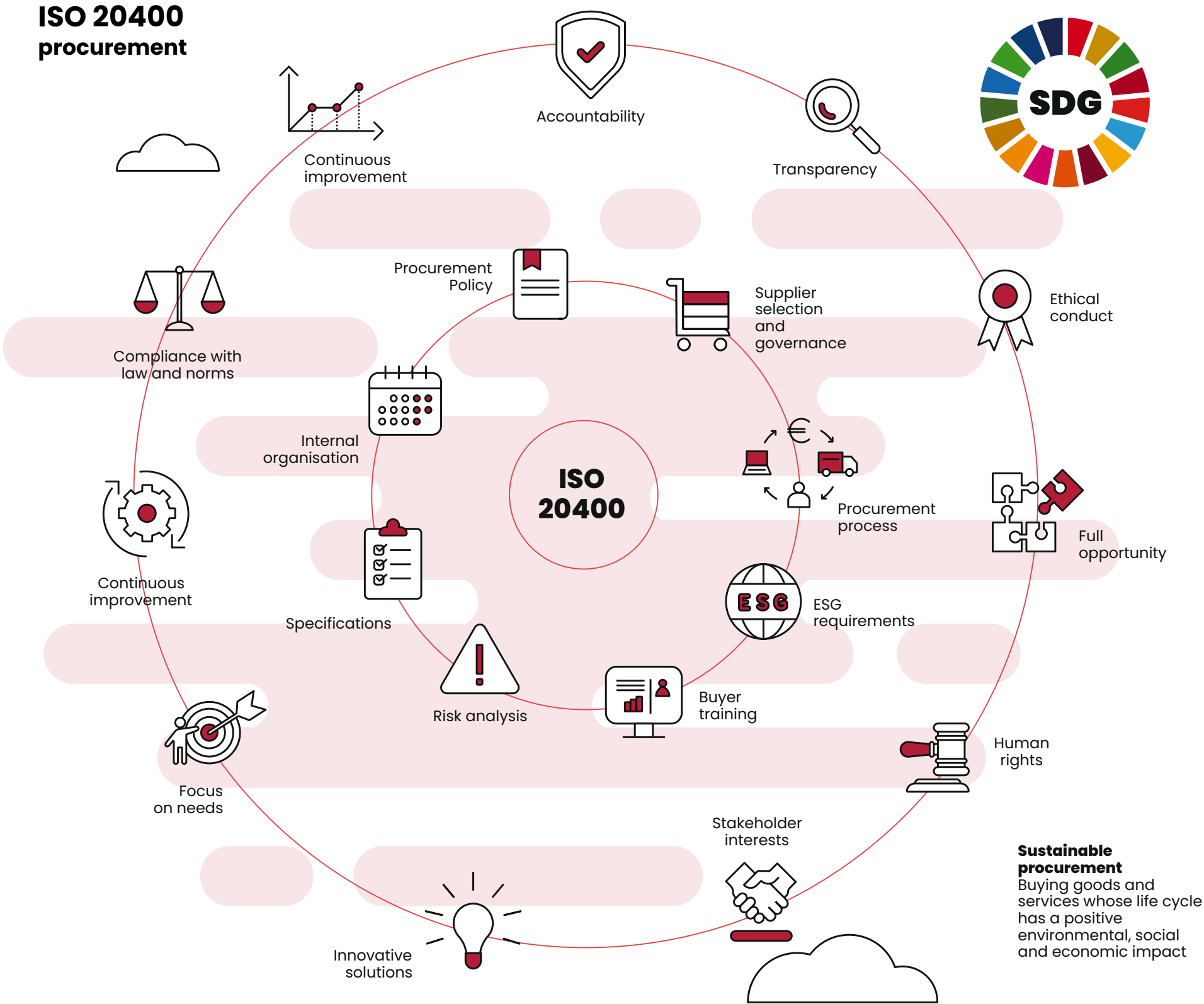
Beyond the recognition it brings, this certification also stimulates ongoing development of sustainability within the procurement strategy framed by the principles of transparency, respect for human rights and ethical behaviour.

It marks a challenge for CIE Automotive’s procurement teams as it not only requires compliance with the master lines of ISO 20400, but it also involves getting the company’s suppliers to comply with its ESG standards by blocking suppliers without a positive ESG assessment.

ISO 20400 Sustainable procurement reinforces CIE Automotive’s policies with respect to social responsibility, environmental management and sustainability, defining principles of ethical conduct applicable all along the supply chain.

The standard lays the foundations for carrying out initiatives so as to:

- Ensure supply chain security
- Avoid financial, environmental and reputational risks
- Inspire confidence among investors, consumers and other stakeholders
- Foster employee wellbeing and contribute to opening new markets for products and services
- Be prepared to achieve the decarbonisation targets CIE Automotive has set for itself, its supply chain constituting its main source of emissions (scope 3).







Of the nearly 80  
ESG indicators  
contemplated in  
the 2025 Strategic Plan,  
18 are related  
to the procurement area

Strategic commitments

ISO 20400 certification was spurred by the 2025 Strategic Plan in which the supply chain plays a prominent role: of the nearly 80 ESG-related key performance indicators being tracked by the company, 18 relate to the procurement function.

The corporate Procurement Department is tasked with setting the ESG strategy for the supply chain along with the related procedures and complying with the strategic objectives set by the Board of Directors.

The status of the established indicators is monitored facility by facility on a quarterly basis by the corporate team together with the factory managers.

| A SELECTION OF STRATEGIC PLAN KPIs                                                                                                             |        |          |         |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------|---------|
|                                                                                                                                                | Target | Deadline | 2022    |
| No. of countries to have embedded ESG criteria into their purchasing processes / Total number of markets in which the group operates           | 100%   | ✓ 2021   | ✓ 100%  |
| % Local suppliers / Total suppliers over total expenditure during the period                                                                   | >70%   | ✓ 2023   | ✓ 78.5% |
| No. of suppliers with annual purchasing volumes of >€1m that have been audited and/or self-assessed along ESG criteria during the Plan horizon | 25%    | ✓ 2022   | ✓ 33%   |

## Update of the GLOCAL management procedures

CIE Automotive uses a GLOCAL (global management with local application) procurement model, spearheaded by the corporate procurement function and executed by the various buyer teams that furnish the company with goods and services sourced locally (onshoring) and regionally (nearshoring).

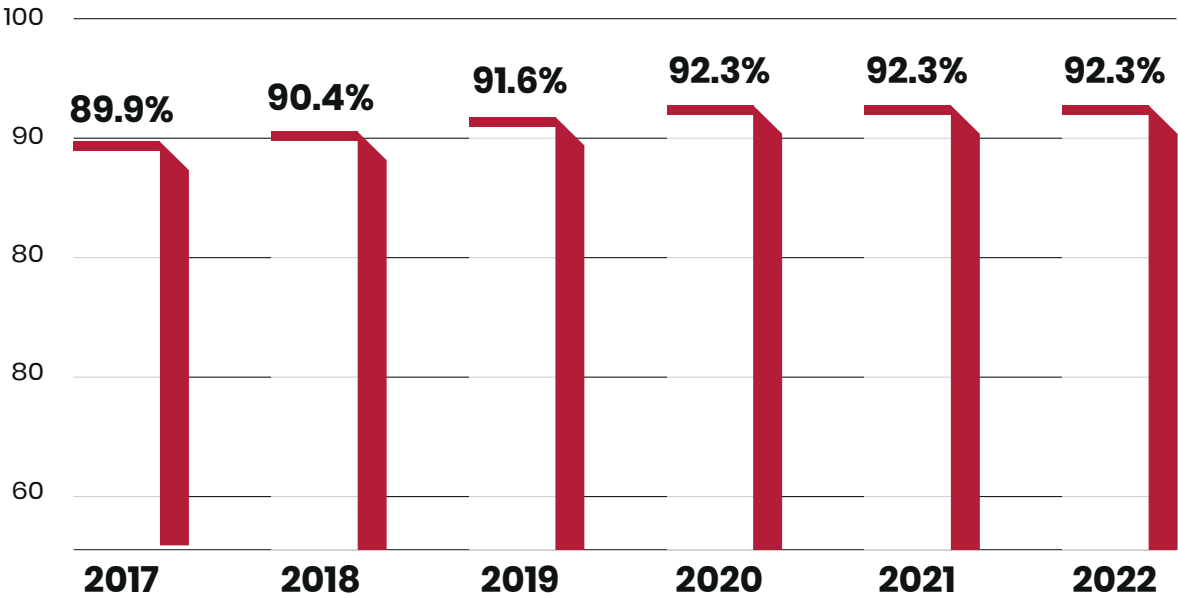
Sustainably procurement is encouraged in all regions by means of development of a map of local suppliers whose logistics flows, which cover shorter distances, minimise carbon emissions.

That decentralisation is particularly efficient in times of geopolitical tension such as these, marked by the outbreak of war in Ukraine and the tail-end of the pandemic, among other developments, as it reduces logistics costs and tariffs, mitigates currency risk and facilitates closer and mutually committed management of non-financial matters by bypassing cultural, linguistic and time zone differences.

The GLOBAL model flexed its muscle once again in 2022, demonstrating its resilience in the face of the broader supply shortages caused by the war between Russia and Ukraine.

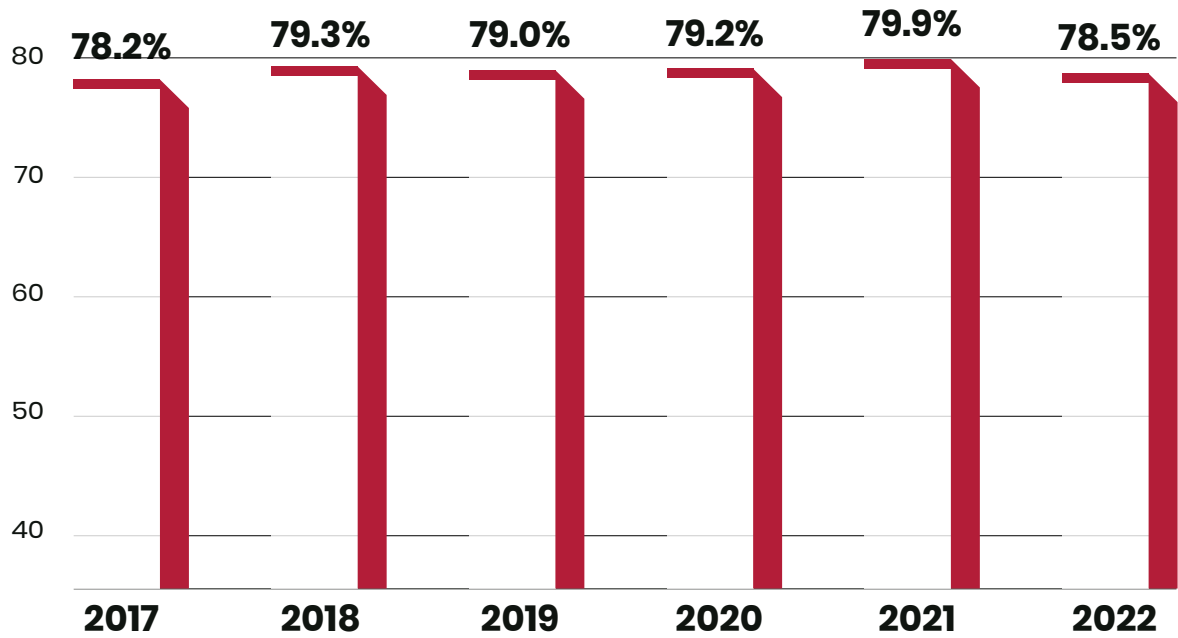
In 2022, 92.3% of the suppliers used by CIE Automotive were local firms and accounted for 78.5% of the total procurement volume.

Share of local suppliers



Includes data for discontinued German forges. 2021: 95.5% / 2022: 95.9%

Share of procurement (€) sourced from local suppliers



Includes data for discontinued German forges. 2021: 82.3% / 2022: 82.1%

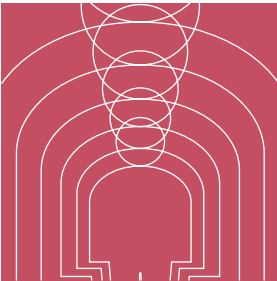
In order to work well, the global supply chain needs to be governed by a general corporate Procurement Policy and a common strategy so as to standardise procedures and supplier certification, ensure constant innovation in risk management and control tools and advance uniformly, company-wide, on all ESG matters.

**PROCUREMENT MISSION AND POLICY**

One of the aspects evaluated in the course of earning ISO 20400 certification was the company-wide integration of sustainability into the company's Procurement Mission and *Procurement Policy*.

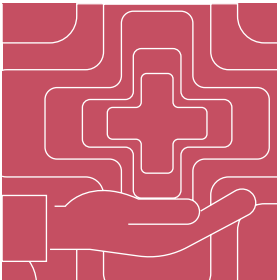
For the global supply  
chain to work smoothly,  
there has to be a **corporate**  
**Procurement Policy**  
and a group-wide strategy

**Procurement mission**



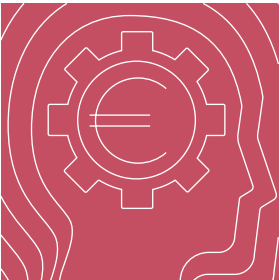
**PROFESSIONAL GROWTH**

Helping the people working in procurements to grow professionally and personally.



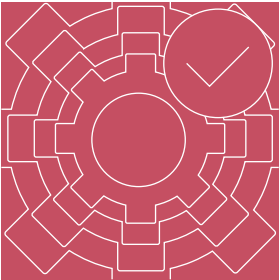
**VALUE CREATION**

Fostering value creation, quality of living, personal and product/service safety, environmental care, social responsibility and internal and external customer orientation.



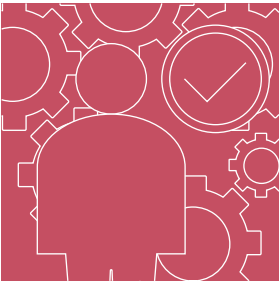
**ECONOMIC RATIONALE**

Seeking out financial logic, striving to minimise the total cost.



**OPERATIONAL EXCELLENCE**

Managing our operations effectively, seeking out operational excellence.



**BENCHMARK MANAGEMENT**

Providing our customers, suppliers and society at large a management example and benchmark.





PROCUREMENT POLICY



**OBJECTIVITY, TRANSPARENCY, FAIRNESS AND NON-DISCRIMINATION** in relations with all suppliers and partners.



**ALIGNMENT** between the **STRATEGY** and efforts of the Procurement Department and the established **CORPORATE OBJECTIVES**.



**COMMITMENT**, across the entire supply chain, to supporting and delivering the **10 PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT**, of which CIE Automotive is a signatory.



Striving, **INTERNALLY AND EXTERNALLY**, to **CREATE AWARENESS** around the importance of environmental protection efforts, in keeping with health and safety regulations and labour rights.



Implementation of **PROCEDURES AND CONTROLS** designed to ensure objective and fair adjudication.



Performance of **SUPPLIER SELECTION** on the basis of objective criteria that measure product and service quality, as well as **ESG CRITERIA**.



**ENSURING** that the **QUALITY** of the products and services purchased meet the group's technical, safety, environmental and human rights standards.



Identification and crystallisation of **GROUP SYNERGIES**.



**DEVELOPMENT OF LONG-TERM COLLABORATION AND INNOVATION AGREEMENTS** with suppliers.



Search for **MUTUAL UNDERSTANDING AND BENEFITS** in supplier relations.



Contribution to **SUPPLIERS' PROCESS DEVELOPMENT**.



**MAXIMISATION OF THE MOTIVATION AND ENGAGEMENT** of the CIE Automotive professionals devoted to procurement, providing them with the training needed to do an excellent job.

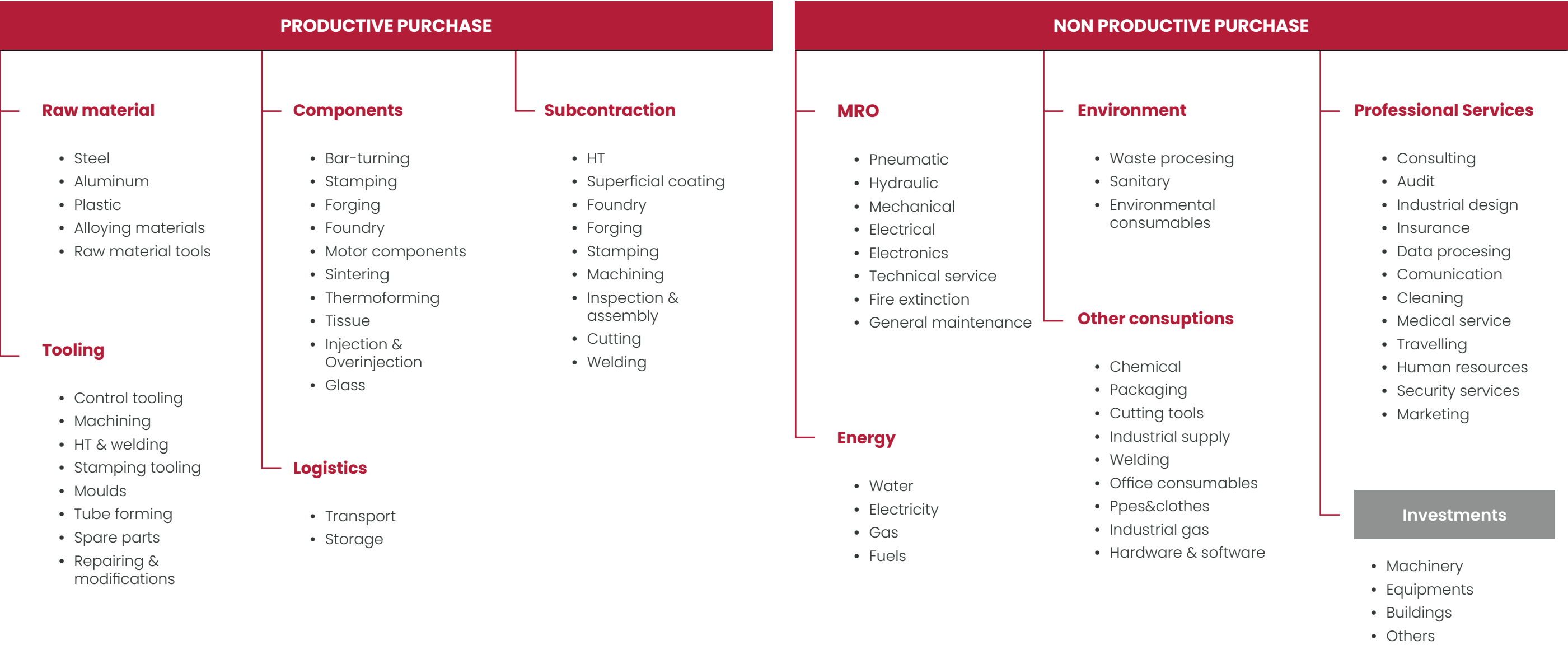


**FOSTERING SUSTAINABLE BUYING** of goods, energy, alternatives to dangerous or toxic chemicals, etc., framed by CIE Automotive's corporate policies and commitments.

CIE Automotive's Procurement Policy makes it possible for all group companies to purchase goods and services on the best possible terms, making it particularly useful in environments as complex as that prevailing.

The scope of the Procurement Policy spans the search for alternatives, supplier selection, negotiations, project adjudication and the purchase of services and products. It covers all 11 procurement families.

Procurement families



In 2022, CIE Automotive updated and dissemination its supply chain procedures, policies and standards.

PROCEDURE STANDARDISATION

CIE Automotive has a global supplier management procedure, common to all regions, which it makes known to its suppliers by means of its **Global Supply Chain Manual (GSCM)**. Global Supply Chain Manual (GSCM). That Manual a true reflection of the company’s supply chain schematics and procedures and details graphically and in plain language the Mission, Procurement Policy, the various product and service purchasing categories, the purchasing flowchart, the associated internal procedures and the ESG requirements suppliers must meet in order to work with CIE Automotive.

The purchasing flowchart (page 9 of the Global Supply Chain Manual) obliges all group buyers to follow the rules set by CIE Automotive for approving, selecting and certifying suppliers. Any failure to follow those requirements, even if only partial, is grounds for penalisation in buyers’ individual performance evaluations.

Thanks to that system, CIE Automotive is able to effectively and consistently evaluate its suppliers’ performance and guarantee that the supply chain is meeting the sector’s requirements, local and international legislation and the group’s corporate ESG commitments.

The Manual serves as a transparent guide for training suppliers on aspects related with quality, best practices and conflict resolution and even as an example as to how it might be adapted for suppliers’ own internal management policies. It is seen as a tool for continuous improvement by striving for total production quality.

Reissue of the Global Supply Chain Manual

The Manual, a living document that needs to adapt for new internal and external demands, was reissued in 2022 in order to better reflect CIE Automotive’s business reality and adapt for ESG requirements, specifically to include the following:

- A conflict minerals due diligence plan
- A flowchart
- More stringent requirements in terms of equality, diversity and inclusion
- Guidelines for encouraging the use of recycled and recyclable materials



The Global Supply Chain Manual  
has proven its value as a living document  
that is constantly being fine-tuned  
in search of total quality and incorporation  
of the group’s ESG requirements

MORE STRINGENT ESG  
CRITERIA

In 2022, the corporate procurement team updated the key documents contained in the Global Supply Chain Manual to layer in more stringent ESG criteria, in line with its strategic targets.

REISSUE OF THE GENERAL PURCHASING  
TERMS AND CONDITIONS

Those terms, a common text applicable to the entire group, were updated to introduce the requirement that group suppliers endorse the company's ESG commitments if they want to work with CIE Automotive, no matter where in the world they are located.

CONFLICT  
MINERALS POLICY

CIE Automotive published its *Conflict Minerals Policy* in 2021 in order to prevent the use of conflict minerals in its own operations or in its supply chain. Breach of that requirement bars suppliers from working with the company.

That Policy was rounded out in 2022 by introducing a conflict minerals due diligence procedure, following the OECD's Due Diligence Guidance: towards conflict-freemineral supply chains, and specific action plans in the event of identification of compliance risks. As

a result, CIE Automotive's procedure emulates the 5-step framework recommended by the OECD:

1. Establish strong company management systems: the Conflict Minerals Policy already published by the company in 2021 and the introduction of monitoring tools such as the Suppliers Portal, where a specific conflict minerals questionnaire has been added.
2. Identify and assess risks in the supply chain: identification of the firms that supply so-called conflict minerals to CIE Automotive and assess their negative impacts.
3. Design and implement a strategy to respond to identified risks: Report the results of the risks assessment to the company's managers, design and adopt a risk management plan and an action plan and break relations with any suppliers that fail to remedy the identified risks.
4. If necessary, carry out an independent third-party audit to determine and/or remedy the risk(s).
5. Report on supply chain due diligence: integrated into the group's annual reports.

Preparation of a due  
diligence report following  
the guidelines issued by  
the OECD





Does your company use any of the so-called conflict minerals in its production processes?

If affirmative, select one

Tantalum

Tin

Gold

Tungsten

If affirmative, does your company can guarantee that does not come from D.R of the Congo?

General Information 3TG Use

Do you have an implemented policy that includes the supply of conflicting minerals?

Is this policy publicly available on your website?

In the case of having answered affirmatively, please indicate the URL address

Do any of your suppliers in the supply chain provide the 3TG of the covered countries?

Do you require your direct suppliers to be free of DRC conflict?

Have you implemented diligence measures to comply with the rules of conflict minerals?

Does your company verification process include handling of corrective actions?

The policies, procedures and tools put in place by CIE Automotive enable identification of suppliers that could use the main conflict minerals (tungsten, tantalum, tin and gold).

In 2022, 100% of the suppliers CIE Automotive works with who are registered on the Suppliers Portal reported to either not using mineral conflicts or, if used, guaranteed that they were not sourced from conflict regions.

**Other updates**

ESG requirements were also added to internal investment application forms. The company’s internal investment procedure now includes a required assessment of the proposed investment’s environmental impact and the requirement to double verify the contractors’ approach to governance and social management matters.

In 2022, **100% of the suppliers CIE Automotive**  
**works with who are registered on the Suppliers Portal**  
**reported they were not using mineral conflicts or, if being used,**  
**guarantee that they do not come from conflict zones**

SUPPLIER CERTIFICATION

Supplier requirements are aligned with their classification as a function of the product or service they supply. Over 90% of the firms that supply CIE Automotive the product families deemed subject to assessment are IATF 16949 or ISO 9001 certified; environmental certification under ISO 14001 and health and safety certification under ISO 45001 are also positively rated.

Suppliers that do not hold these certifications are required to draw up a work plan for obtaining them or presenting accreditation from a third party attesting that they meet CIE Automotive’s requirements.

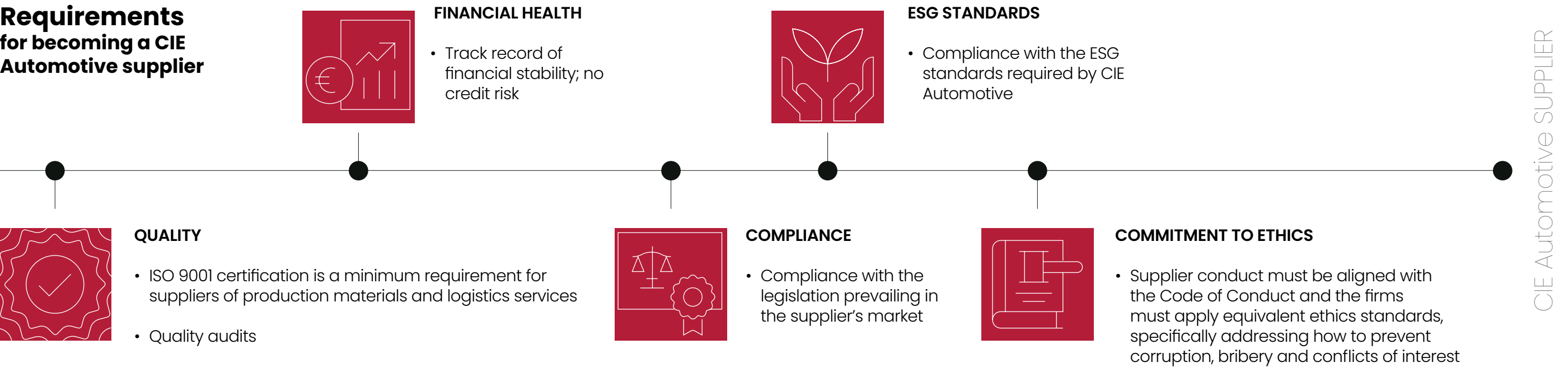
As for facility suppliers and indirect or non-productive suppliers, around 50% of those registered on the Supplier Portal have ISO 9001 or equivalent certification, once again

highlighting the quality of the group’s supply chain, even in non-core purchases.

To execute a work plan to meet the quality standards demanded by CIE Automotive, suppliers get help from the company’s buyer teams. By means of the Global Supply Chain Manual (GSCM) and the audits undertaken, those teams help train suppliers on quality aspects required under IATF16949 and ISO 9001.



Requirements for becoming a CIE Automotive supplier





# Risk management and mitigation

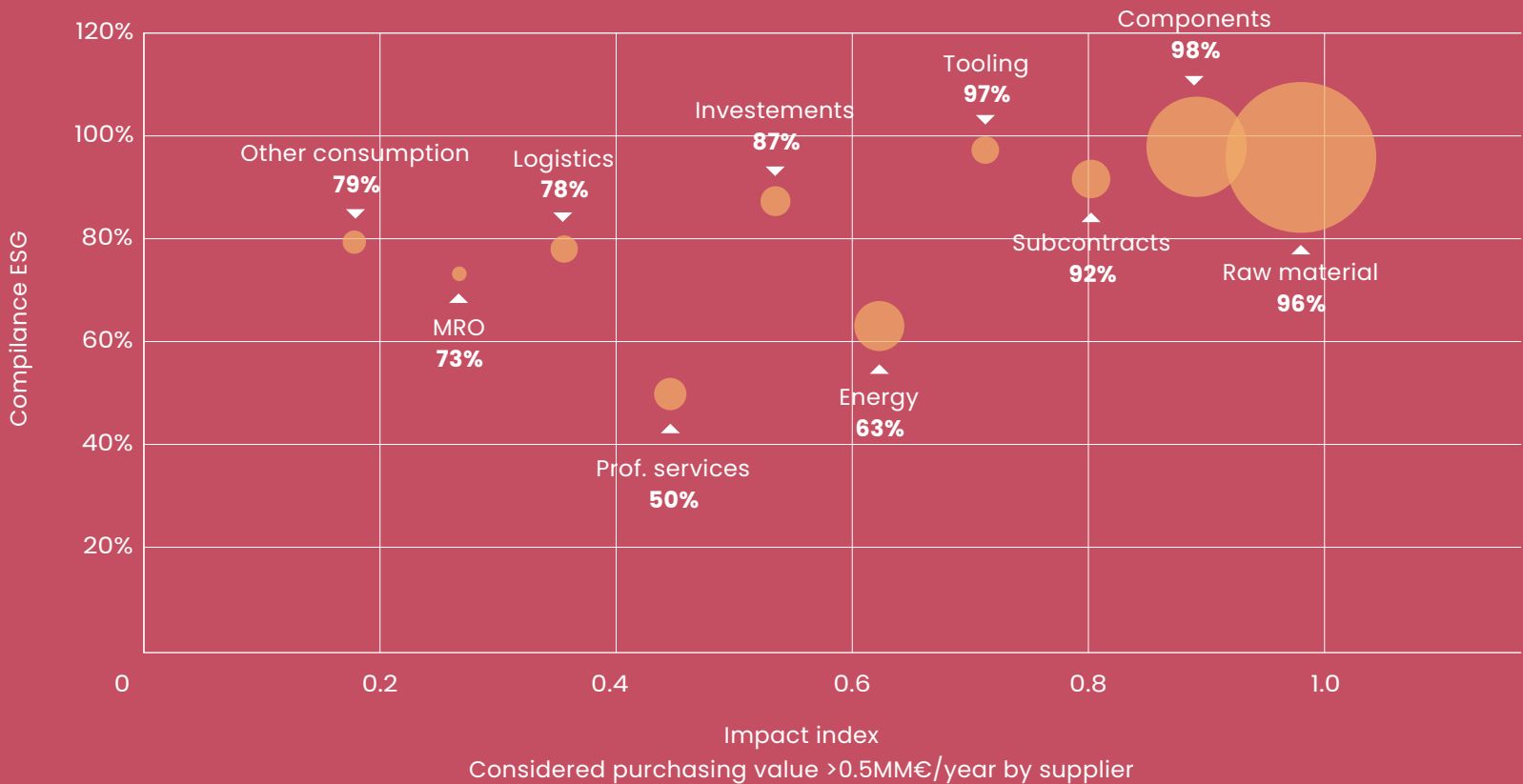
CIE Automotive strives to stay ahead of potential supply chain risks by means of clear and transparent procedures and regular supplier audits. ESG considerations are growing in importance in those processes.

To prevent and mitigate potential risks, it updates its supply chain ESG risk matrix every year. That effort, which began in 2021, revealed growing commitment by suppliers in 2022. The companies that supply raw materials, parts and tooling services and subcontractors, i.e., the suppliers within the productive product families, have shown the strongest commitment; however, significant improvement was observed in other indirect purchase families, such as logistics providers and suppliers of other consumables.

## ESG RISK MATRIX: ESG AUDITS AND SUPPLIER CERTIFICATION

CIE Automotive maps its ESG risks focusing on three of the seven core subjects of ISO 26000 (environment, human rights and governance) in order to identify the suppliers that pose a greater risk, either on account of the volume of goods purchased from them or the importance of the goods or services they supply, and that therefore should be assessed or audited. The 2022 results evidence progress towards compliance with ESG compliance in all procurement product families.

Matrix of ESG risks



A more intuitive Suppliers Portal

In 2022, the company revamped its Suppliers Portal, its main supply chain management tool, adding new applications to enable assessment of its suppliers' ESG health.

The browsing experience is now more visual, intuitive and dynamic, in response to stakeholder requests (suppliers and employees, among others) and new requirements have been introduced, namely:

- Business questionnaire: Addition of a new question regarding TISAX and information about certification in ISMS (Information Security Management System), in keeping with ISO 27001.
- ESG questionnaire: suppliers are now asked for additional information about how they manage diversity, equality and inclusion so as to be able to identify and mitigate the negative impact those topics could have on the company's supply chain.
- A new tab will be developed in 2023 to visualise, manage and extract information related with audits conducted by CIE Automotive on current or prospective suppliers.

The new design meets demands from our suppliers and our own procurement teams, as well as feedback gleaned from the group's 360° performance evaluations.

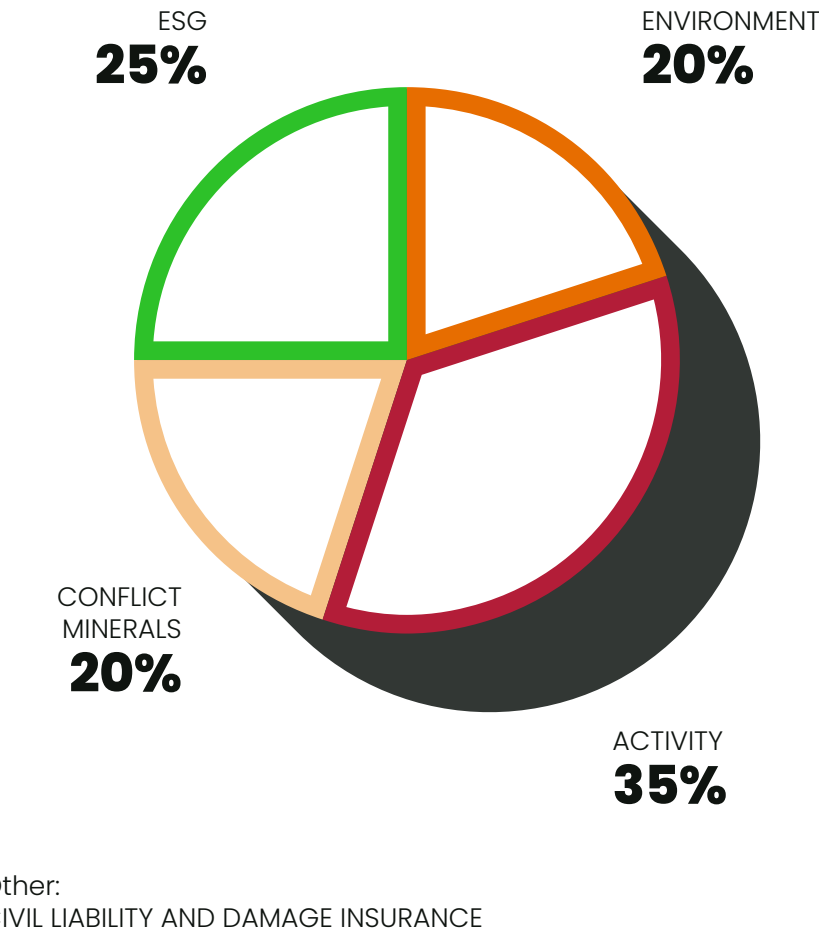
The Suppliers Portal is an online platform that is free to use and accessible from the Supply Chain tab on the corporate website. Existing and prospective suppliers of products and services to CIE Automotive can register on the portal.

The tool had 6,000 active users in 2022, growth of close to 40% from 2021.

In addition to facilitating the above-mentioned objective assessment of the ESG footprints of existing and new suppliers, the Suppliers Portal is a source of reference and valuable information for our procurement managers.

Questionnaire categories and weightings

Percentage



Questionnaire responses

The global rollout of the Supplier Portal guarantees standardisation of the procurement process framed by identical criteria of objectivity, impartiality and equal opportunities across all geographies.

Registering suppliers need to answer five questionnaires about:

1. Business management: suppliers in possession of valid quality management certifications are prioritised.
2. Environmental management: assessment of suppliers' environmental performance; the Portal gives additional points to suppliers with environmental management certification and those that control their waste and emissions, among other aspects.
3. ESG management: supplier candidates are asked to provide information about their ESG certifications and compliance with the United Nations Global Compact requirements.
4. Conflict mineral management: suppliers are required to abstain from using the so-called conflict minerals (tin, tungsten, tantalum and gold) and if they do use them, they must guarantee that they do not come from areas of armed conflict, such as the Democratic Republic of the Congo.
5. Civil liability and damage insurance: CIE Automotive can minimise its risk if it can verify that its suppliers have coverage against potential business contingencies. Supplier ESG scores are not weighted in this questionnaire.

The various questionnaires help the company assess a supplier's level of management, commitment and progress, to which end the candidates are required to attach supporting documentation by way of evidence; the questions are framed such that the responses enable objective and transparent assessment.

This information is available for consultation on the "Supply chain" tab of the corporate website. A non-web version, with the same assessments and scoring system as the web-based platform, has been created for suppliers that encounter difficulties in registering with the Suppliers Portal.

SUPPLIER AUDITS

CIE Automotive analyses the financial health of its suppliers to ensure supply continuity throughout the life of the project in question.

Supplier evaluations are rounded out by audits which assess and score them on the following parameters: planning, reception, training and skills, process, maintenance, inspection, packaging, storage, continuous improvement and environmental performance, customer satisfaction, documentation and ESG criteria.

The results of the audits may be shared with the supplier. On other occasions it is the supplier that conducts a self-assessment which is then corroborated by qualified CIE Automotive professionals.

Before carrying out those audits, CIE Automotive maps its *ESG risks* in order to identify the supplies that pose a greater risk, either on account of the volume of goods purchased from them or their membership of important purchase families, and should therefore be assessed or audited.

Thanks to this system, 582 audits were conducted in 2022 (including 7 from the discontinued German forges), up from 420 in 2021 (none from the discontinued German forges).

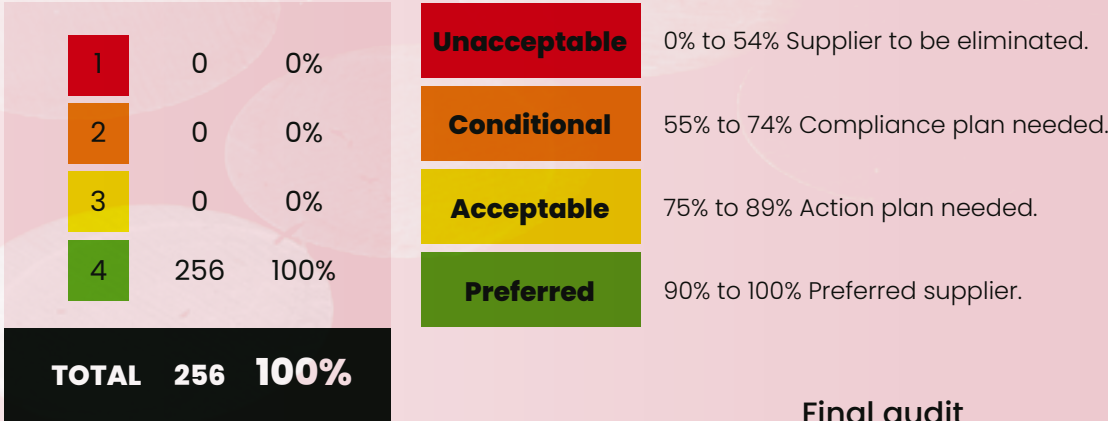
New ESG audit format

One of the key developments in 2022 was the launch of a specific audit format for supplier assessment along environmental, social and governance dimensions. The goal for 2023 is to increase the number of supplier ESG audits.

The audit volume increased by  
nearly 30% year-on-year in 2022



Supplier  
performance level



Index by section

|                                   |   |      |
|-----------------------------------|---|------|
| 1. Planning                       | ✓ | 100% |
| 2. Suppliers & Reception          | ✓ | 100% |
| 3. Training & Skilling            | ✓ | 100% |
| 4. Processes & Maintenance        | ✓ | 100% |
| 5. Cust. Satis. & Cont. Improv.   | ✓ | 100% |
| 6. Packaging, Transport & Storage | ✓ | 100% |
| 7. ESG                            | ✓ | 100% |
| 8. Documentation                  | ✓ | 100% |

Final audit  
outcome  
(refer to disqualification rules)



Disqualification rules:  
Two subsections <74% implies a rating of **ACCEPTABLE**  
Three subsections <74% implies a rating of **CONDITIONAL**  
Four subsections <74% implies a rating of **UNACCEPTABLE**

**SOCIALLY RESPONSIBLE  
SUPPLIERS**

100% of CIE Automotive’s suppliers have formally expressed their commitment to the ESG standards that govern its business model by endorsing the ESG Commitment, registering with the Suppliers Portal or accepting the company’s General Purchasing Terms and Conditions.

Around 75% of existing and potential suppliers that have completed the registration process have formulated and disseminated a code of conduct; 25% have attached ISO 14001 environmental management certification; and 100% report to not using mineral conflicts or, in the event they use them, guarantee they are not sourced from conflict-affected areas. All registered suppliers state that they are not involved or complicit in any form of child or compulsory labour.

As a result, CIE Automotive is in a position to state that its global supply chain is free of transactions or suppliers that pose a significant risk of presenting incidents of child or forced labour, unfair treatment, discrimination or any other practices that imply putting profits ahead of social and/or environmental concerns.

According to the responses to its supplier questionnaires, CIE Automotive’s supply chain is free of transactions or suppliers that pose a significant risk of practices that imply putting profits ahead of social and/or environmental concerns.

**100% of CIE Automotive’s**  
suppliers have endorsed its ESG commitments

**Big data at the service of supply  
chain compliance verification**

In order to reinforce control of compliance risk, the company conducted a pilot test with an external firm which used data analytics to evaluate 15,000 of the company’s suppliers. That took checks for compliance breaches at the legal, financial, social, corporate or ownership levels that could pose a risk for the company.

The conclusion was just one out of those 15,000 firms, with which CIE Automotive no longer works, presented significant risks in any of the above-listed areas. More specifically, the identified supplier hailed from Russia where the company has, for now, paused operations.

**Supply Chain  
Race to Zero**

To meet its goal of being net zero by no later than 2050, the company is supporting and mentoring any suppliers facing difficulties in implementing the actions needed to reduce their emissions under the Supply Chain Race to Zero project.

For further information, refer to  
“Active encouragement of sustainable procurement”





## Accolades

Each year, CIE Automotive awards prizes to the suppliers that best perform in the ESG arena, without neglecting their performance along more traditional criteria such as quality, claims, customer incidents, etc.

In 2022, it awarded a total of eight prizes to the suppliers that obtained the highest ESG scores on the Suppliers Portal. They are located in different countries, none in the MFE perimeter. In line with the decentralised management model, the local procurement teams led that programme, demonstrating growing involvement and awareness around these topics.

## AERCE PRIZE FOR BEST SOCIALLY RESPONSIBLE SUPPLY CHAIN PROJECT

The work done by CIE Automotive’s procurement function to integrate ESG aspects into the company’s purchasing process was recognised in 2022 with the Prize for Best Socially Responsible Supply Chain Project by AERCE, the Spanish association of procurement professionals.

The key aim of the AERCE awards is to raise the profile of the procurement function by singling out best practices and highlighting the strategic nature

of some of their projects, their contribution to their organisations and the leadership qualities of the best professionals.

The tenth edition of those awards, having been suspended for two years on account of the pandemic, stood out for the high level of participation by companies from different sectors and the excellent quality of the projects submitted.

## ESG training and supplier engagement

The company has developed a training programme called “CIE Automotive and its supply chain” to better explain to its suppliers what is expected of them in terms of ESG matters and quality improvement. That programme has already been imparted, in a mix of online and in-person formats, to 100% of the buyer teams in India, Mexico, China, Europe, the US and Brazil.

In addition, the company organised Supplier Day events in Mexico, India and China which it likewise used to explain the ESG commitments assumed in the 2025 Strategic Plan to suppliers.

CIE Automotive has set up a specific email address for channelling questions and requests for assistance in relation to ESG topics, [esg@cieautomotive.com](mailto:esg@cieautomotive.com), while, in a transparency bid, the whistle-blowing email address has been configured to have the Compliance Department receive and handle any reports of irregular conduct.

Lastly, CIE Automotive is steadily increasing its presence at events and initiatives related with sustainability and the supply chain. Here it is worth highlighting:

- **AERCE Congress.** Participation in the roundtable event, “Trends and keys in business agendas in ESG matters”.
- **IMAP. *Presentations on the integration of ESG considerations*** into the group’s business model and its M&A track record before over 130 institutional investors.
- **ENKARTERRI. *Presentation on the role of female executives in business organised by the Enkarterri group.***
- **Ulysses.** The syllabus for the participants in the Ulysses mobility and training programme includes courses on the work done by the Procurement and Finance Departments and the importance of ESG criteria.

For more information about the Ulysses programme, refer to the “Employees” section.

### Response to supplier concerns

CIE Automotive actively listens to its suppliers. In 2021, it began to conduct autonomous 360° supplier surveys. In 2022, it sent out 60% more surveys than in 2021.

In response to the feedback received, it rolled out the following initiatives last year:

- Revamp of the Suppliers Portal.
- Provision of assistance and training to interested small suppliers looking to embark on good ESG practices.
- Improved external communication of the ESG-related targets and action plans defined by CIE Automotive using new channels and social media handles.

In 2022, the company organised Supplier Day

events in Mexico, India and China which it used to explain

the ESG commitments



# Active encouragement of sustainable procurement

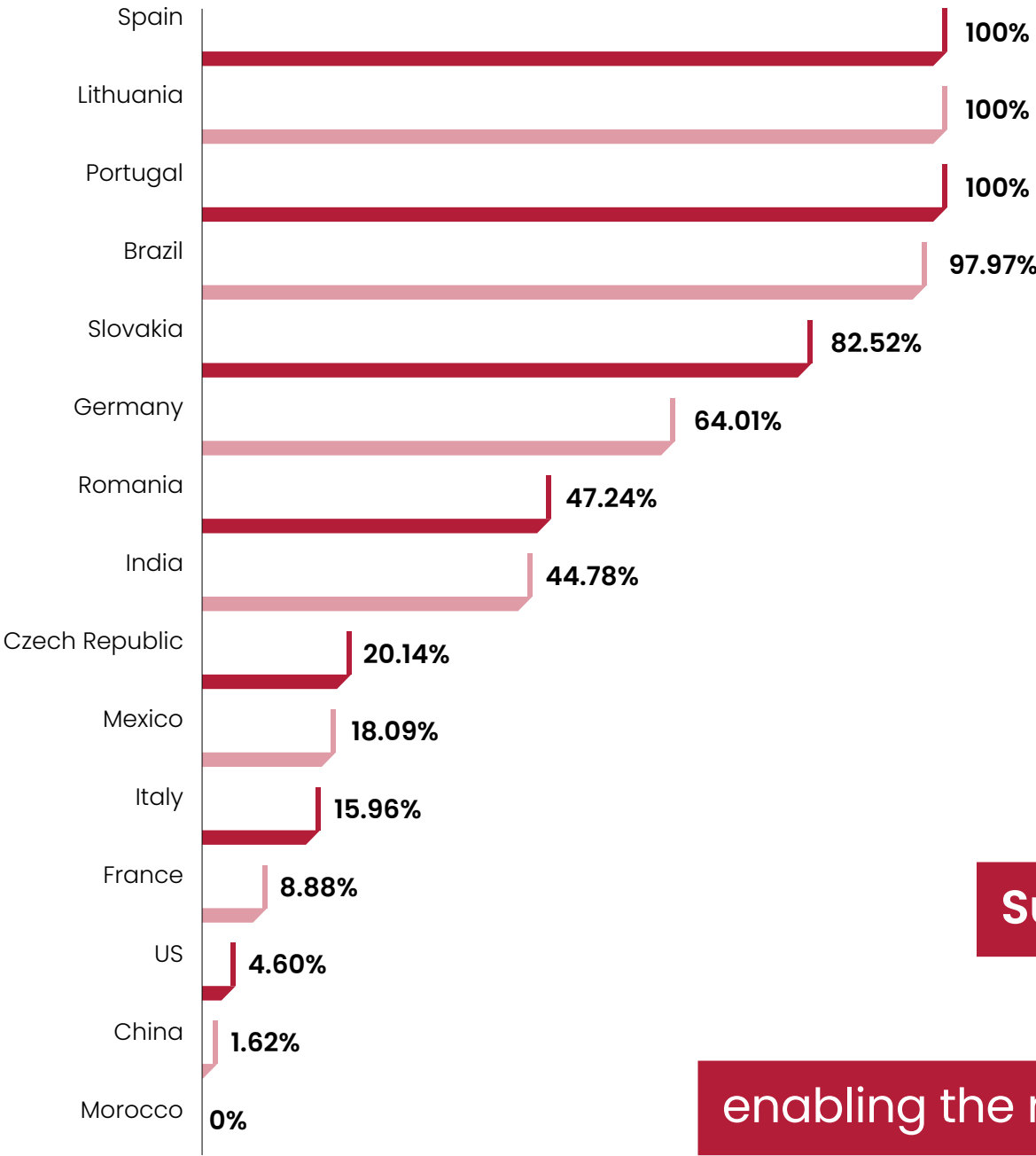
2022 was a remarkable year in terms of collaboration between the group’s procurement teams and its supply chain.

## COOPERATION ON ENVIRONMENTAL PROJECTS

Faced by the global energy crisis sustained in 2022, the company committed strategically to the purchase of green energy and its commitment to self-generation projects in order to reduce its emissions. To that end it signed new agreements for the purchase of renewable energy and collaborated with other firms on energy efficiency projects. It also collaborated with suppliers on energy self-consumption projects in order to reduce consumption of coolant and other sources of waste at its factories.

It is particularly important that CIE Automotive collaborate with its suppliers if it is to achieve its transport decarbonisation goals and its ambition of being net zero by 2050. The emissions generated by our suppliers in transporting the materials we purchase from their premises to ours form part of the measurement of our environmental footprint. In 2022, we began to work on a working report for supply chain decarbonisation.

## Green energy consumption by region



Supplier collaboration is essential to enabling the net zero by 2050 goal

## PROJECTS CHAMPIONED BY THE PROCUREMENTS DEPARTMENT

The following stand out among the projects championed and managed by the procurement area:

### • Solar panels

Self-generation projects in Europe and India, by installing photovoltaic solar panels, help reduce harmful emissions and lower energy bills. For more details, refer to the “Environment” section, specifically “Strategic commitment to clean energy”.

### • Switch from combustion to electric forklifts

CIE Automotive has embarked on the process of replacing its purchased and leased combustion forklifts with electric equipment. Spain, Portugal and France pioneered that initiative in 2022.

### • Chemical and waste reduction projects

Waste management is part of each factory’s operations (refer to the “Environment” section for more details). Viability studies are underway with chemicals suppliers to analyse the scope for replacing organic products with lower-carbon synthetic products.

For further information, refer to the section on the “Environment”

### • Carbon offset projects with airlines

Framed by its pledge to shrink its environmental footprint, CIE Automotive has reached agreements with Air France-KLM and Lufthansa for the offset of the carbon emissions associated with its air travel.

In the case of Air France-KLM, the company has joined the airline’s “CO2 impact programme”, under which member companies make a financial contribution corresponding to the carbon emissions associated with their employees’ flights. Those contributions go entirely to help fund the EcoAct reforestation project in Vichada, Colombia. That work consists of reforesting and preserving swathes of forest land in the region to make it a carbon sink, while stabilising and restoring fragile and degraded areas of the Orinoco River region in an economically, socially and environmentally viable manner.

Similarly, thanks to the Compensaid project in agreement with Lufthansa, CIE Automotive offset in 2022 at least 5,506 kilograms of GHG emissions by using 1,842 kilograms of sustainable aviation fuel (SAF).



Framed by its pledge to shrink its environmental footprint,

CIE Automotive has reached agreements with Air France-KLM and Lufthansa

for the offset of the carbon emissions associated with its air travel





**COOPERATION ON SOCIAL PROJECTS**

In parallel, a number of community projects, in which CIE Automotive professionals participated, were organised to help transfer technology and know-how in developing countries and maximise the impact of the company’s operations on the local economy.

For example, the company participated in research and training projects with local schools and universities and industry associations in developing countries, providing or supporting education, including the Lakshya and Gems projects in India, to name a few.

For further information, refer to the section on “Society”

The Supplier Chain Race  
to Zero aims to rally  
suppliers around  
the net zero by 2050 target

**START OF THE  
SUPPLY CHAIN RACE  
TO ZERO PROJECT**

In 2022, CIE Automotive launched its Supply Chain Race to Zero project, in collaboration with its supply chain, with the aim of achieving the 2050 decarbonisation target pledged by CIE Automotive.

The idea behind the initiative is to understand how the company’s suppliers are approaching the challenge so as to identify those that may need some form of support from CIE Automotive.

Often the smaller sized and more local suppliers need mentoring or training support on the environmental aspects and that is where future collaborative efforts will be focused. Along with other suppliers, the company has identified opportunities for exchanging experiences, tools, challenges and concerns.

The other key goal is to set milestones and deadlines for the supply chain to offer decarbonised technical solutions for the purposes of CIE Automotive’s net zero ambitions and to identify any potential technical barriers early on.

It is essential to raise awareness about the problem facing society as a result of climate change all along the supply chain.

# Society

CIE Automotive’s activities generate benefits for the community. As well as generating work and invigorating the local business community by purchasing from local suppliers, the company plays a role as an agent of development in its communities by paying taxes and carrying out community action plans. From the institutional standpoint, it is contributing to definition of more sustainable mobility in the future by means of its active presence in the main automotive parts sector associations.

**PROGRESS MADE IN 2022**

- ✓ Launch of two social action projects: **CIE Stem Planet**, for young people, related to scientific vocations, and another **training and employment promotion project for refugees**.

**CHALLENGES FOR 2023**

- Analysis and distribution of the Social Action model for the group’s plants.
- Promote the publication of social content.



# Value distributed to society

CIE Automotive’s sustainable strategy is a source of wealth for its stakeholders across its various business markets. In 2022, it distributed €3,532.2 million to society in the form of employee remuneration, supplier payments, shareholder dividends and taxes.

CIE Automotive has endorsed the Spanish tax authority’s Code of Good Tax Practices, created to establish a framework for cooperation with the AEAT

| VALUE GENERATED AND DISTRIBUTED*                                    |         |         |
|---------------------------------------------------------------------|---------|---------|
| € m                                                                 | 2021    | 2022    |
| Revenue                                                             | 3,269.1 | 3,838.6 |
| Economic value distributed                                          | 2021    | 2022    |
| To shareholders (dividends)**                                       | 61.3    | 88.2    |
| To employees (employee benefits expense)                            | 599.6   | 605.1   |
| To suppliers (consumption of raw materials and auxiliary materials) | 2,021.8 | 2,370.4 |
| To society (total tax contribution)                                 | 391.0   | 468.5   |

(\*) Under applicable accounting rules, following the decision to put the German forging business up for sale, the results of CIE Forging Germany GmbH and its subsidiaries were reclassified as discontinued operations in the 2021 and 2022 statements of profit or loss.

The figures for the German forging business not included: revenue of €175.8m in 2021 and €230.1m in 2022; employee benefits expense of €48.2m in 2021 and €49.8m in 2022; payments to suppliers of €112.7m in 2021 and €129.1m in 2022; and tax contribution (taxes paid) €30.0m in 2021 and €32.7m in 2022.

(\*\*) Dividend paid during the year.

## Good tax practices

CIE Automotive pays tax in 21 countries and 23 tax jurisdictions (three in Spain), in keeping with prevailing legislation and the profits obtained in each region.

Its tax obligations are formally set out in its Code of Professional Conduct, which expressly forbids the evasion of taxes, the improper generation of tax benefits and the non-payment of Social Security contributions.

CIE Automotive has been a signatory of the Spanish tax authority’s Code of Good Tax Practices, created to establish a framework for cooperation with the AEAT based on mutual trust and best practices, since 2021. In addition, CIE Automotive is committed to following best practices in tax responsibility by voluntarily following the most prestigious Spanish and international principles and recommendations.

Framed by that spirit of transparency, CIE Automotive publishes a **Tax Contribution Report** for the third year in a row.

## PROFITS EARNED AND INCOME TAX PAID COUNTRY BY COUNTRY\*

| Tax jurisdiction                        | 2021                               |                                     | 2022                               |                                     |
|-----------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
|                                         | Profit/(loss)<br>before income tax | Income tax paid<br>(cash criterion) | Profit/(loss)<br>before income tax | Income tax paid<br>(cash criterion) |
| Mexico                                  | 101.1                              | 17.8                                | 98.7                               | 38.8                                |
| India                                   | 45.0                               | 7.6                                 | 75.5                               | 16.5                                |
| China                                   | 67.9                               | 15.7                                | 73.1                               | 11.5                                |
| Brazil                                  | 69.3                               | 2.1                                 | 54.7                               | 4.6                                 |
| Netherlands                             | -0.8                               | 0.1                                 | 51.8                               | 0.1                                 |
| France                                  | 0.2                                | -0.3                                | 38.9                               | 0.8                                 |
| Spain (excl. Basque region and Navarre) | 25.2                               | 3.9                                 | 26.3                               | 4.0                                 |
| Germany                                 | -0.1                               | 0.6                                 | 21.1                               | 0.2                                 |
| Italy                                   | 14.0                               | 0.1                                 | 19.3                               | 2.1                                 |
| US                                      | 0.2                                | 0.3                                 | 11.9                               | -1.1                                |
| Romania                                 | 8.5                                | 1.4                                 | 8.3                                | 1.2                                 |
| Slovakia                                | 7.2                                | 1.9                                 | 6.9                                | 0.0                                 |
| Lithuania                               | 4.3                                | 1.2                                 | 4.9                                | 0.5                                 |
| Navarre                                 | 2.5                                | 0.6                                 | 1.5                                | 0.5                                 |
| Portugal                                | 1.1                                | 0.2                                 | 1.2                                | -0.1                                |
| Barbados                                | 0.0                                | 0.0                                 | 0.6                                | 0.0                                 |
| Morocco                                 | 0.1                                | 0.0                                 | 0.1                                | 0.0                                 |
| UK                                      | 0.0                                | 0.0                                 | 0.0                                | 0.0                                 |
| South Korea                             | 0.0                                | 0.0                                 | 0.0                                | 0.0                                 |
| Guatemala                               | 0.0                                | 0.0                                 | 0.0                                | 0.0                                 |
| Czech Republic                          | 2.6                                | 0.6                                 | -0.1                               | 0.5                                 |
| Basque region                           | 3.1                                | 0.0                                 | -4.0                               | 0.0                                 |
| Russia                                  | 3.0                                | 0.0                                 | -11.1                              | 0.1                                 |
| <b>Total (€ M)</b>                      | <b>354.4</b>                       | <b>53.8</b>                         | <b>479.6</b>                       | <b>80.2</b>                         |

(\*)The information presented in the table above is filed with the tax authorities on Form 231. Information Statement submitted to the regional authorities of Bizkaia, a form which is aligned with Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, which regulates the country-by-country reports that 'multinational enterprise groups' are required to present annually and for each tax jurisdiction in which they do business. Those reports can be used for the purposes of assessing high-level transfer-pricing risks; their main purpose is to provide the information needed to analyse related-party transaction risks, thus facilitating the work of the tax authorities, which may also use them to assess other risks related to base erosion and profit shifting.

In transposing that Directive, the obligation to present a country-by-country report was regulated in sections 10 and 11 of article 43 of Navarra Provincial Law 11/2013 on corporate income tax and article 21 bis of Basque Provincial Law 203/2013, enacting the corporate income tax regulation.

Figures under IFRS, before consolidation adjustments.



Government grants received

CIE Automotive’s Code of Professional Conduct likewise prohibits applying for subsidies, tax exemptions or government funds on a fraudulent basis.

In 2022, the company received €1.9 million of grants related to income, €0.5 million less than in 2021. Of the total received, it obtained €1.6 million in Spain and the remaining €0.3 million in Portugal, Germany, Italy and China.

In 2022, the company  
earmarked about  
€2 million to  
community work projects  
that involved more than  
3,600 volunteers

Community  
work

CIE Automotive devises solutions to the difficulties and needs existing in its business communities, framed by its **Community Work Policy**, pursuing three different kinds of initiatives:

- Donations: *ad-hoc* financial support for non-governmental organisations and similar organisations for the pursuit of their social activities.
- Sponsorships: whether carried out at the corporate or individual local company level, these initiatives are framed by the principles laid down in the Community Work Policy.
- Community investment: long-term investments aimed at giving back to the communities where the company does business.

In 2022, the company donated nearly €2 million to community work programmes which involved over 3,600 employees and more than 8,000 equivalent work hours.

It launched two new programmes, one in the Basque region in Spain and the other in Brazil. There is scope for extending both initiatives to new markets.

CIE STEM PLANET  
PROGRAMME

This is a free, ambitious and innovative programme, funded entirely by CIE Automotive, designed to stimulate scientific vocations and the acquisition of digital skills in primary and secondary schools. It is currently being pilot-tested in schools in the Basque region.

Under the programme, the company has donated advanced technology such as educational robots and a teacher training and support platform which can be configured to enable personalised learning by over 2,000 participants. We hope to be able to use the platform to measure and demonstrate those students’ progress on digital skills.

This project evidences CIE Automotive’s commitment to diversity and the Sustainable Development Goals, specifically the goals addressing quality education, gender equality and inequality reduction.

# PROFESSIONAL TRAINING AND EMPLOYMENT PROJECT FOR REFUGEES AND MIGRANTS IN BRAZIL

In 2022, CIE Automotive worked with UNHCR to provide training and employment to 403 refugees and migrants in Brazil. UNHCR estimates that more than 1,500 people benefitted from the project including the participants’ families.

The project was articulated around three main lines of initiative:

1. Empowering Refugee Women

Aimed at facilitating female refugees’ access to professional training and the Brazilian job market, the Empowering Refugee Women project afforded 103 women training and job opportunities by means of customer service and sales skills training sessions. So far 54 of those women have found work (over 50% of the beneficiaries).

2. Vocational training in Manaus, Boa Vista, Porto Alegre, Minas Gerais and Sao Paulo

This programme likewise facilitates female refugee access to vocational training and the Brazilian job market by means of Portuguese classes and professional training focused on the skills needed to work in the automotive industry and its supply chain (administrative, sales and customer service tasks).

Around 1,900 female refugees and migrants participated in those training courses in 2022, 260 of whom with the support of CIE Automotive. It facilitates female refugee access to vocational training and the Brazilian job market.

The company also supported the training of 40 people in the Porto Alegre region where there is an automotive industry cluster (30 received training on mechanical technical drawing and dimensioning and 10 on dimensioning and CNC machining technologies).

So far, five students have been hired in the automotive industry.

3. Market study into local integration and socioeconomic inclusion of the indigenous people of Venezuela

The goal of the study is to analyse the challenges, limits and barriers facing the indigenous Venezuelans living in Boa Vista and Manaus in terms of integration and socio-economic inclusion with the aim of providing the Brazilian government and other organisations involved in the humanitarian response with reliable information to guide the design of strategies for fostering this population’s autonomy and self-sufficiency.



UNHCR  
The UN Refugee Agency

COMMUNITY WORK:  
KEY PERFORMANCE INDICATORS

|                                              | 2021      | 2022      |
|----------------------------------------------|-----------|-----------|
| Total amount earmarked to community work (€) | 1,172,033 | 1,804,614 |
| No. of employees volunteering                | 1,404     | 3,680     |
| No. of work hours devoted to community work  | 6,330     | 8,300     |

Community work by region

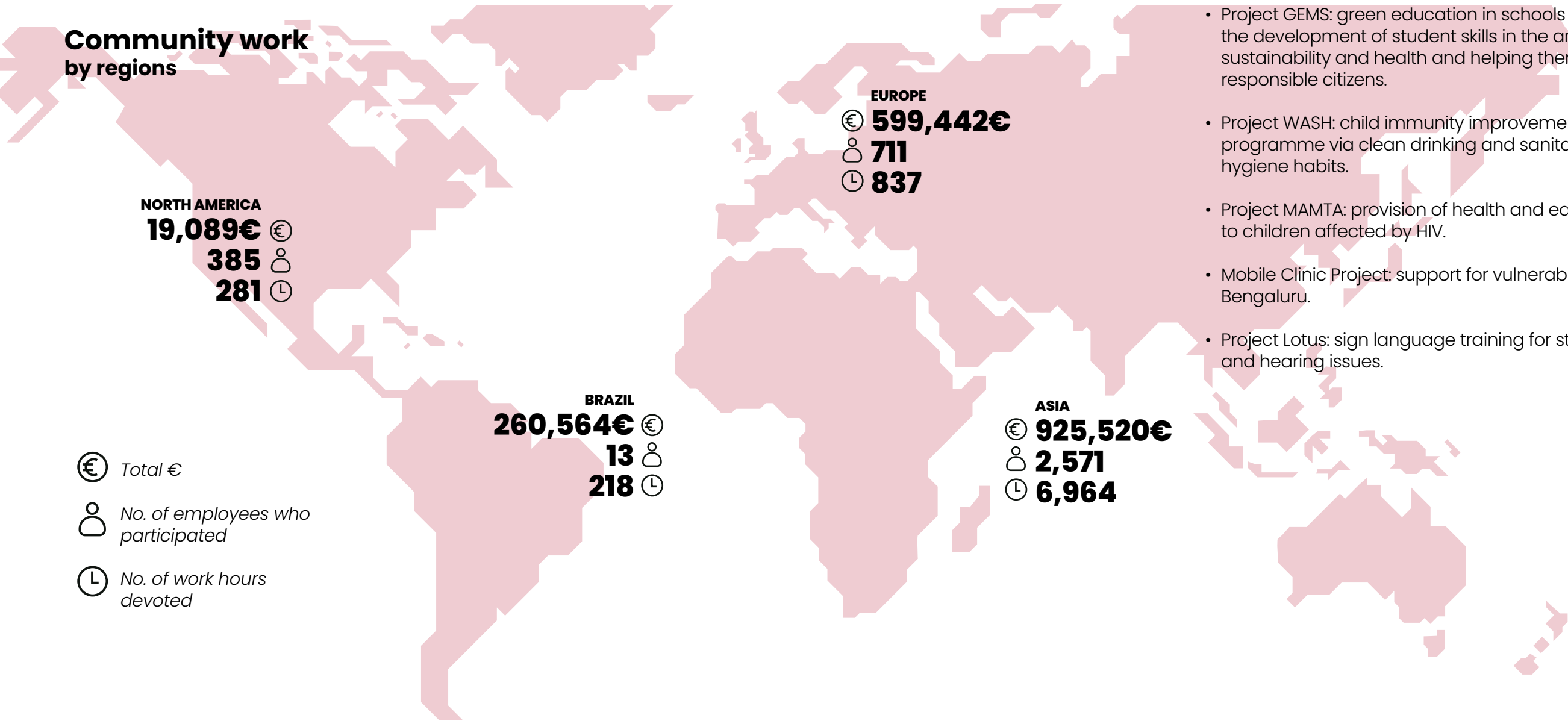
CIE Automotive’s approach to community work is decentralised and hands-on. Our factories employees, familiar with each community’s needs, are the ones that suggest the best way to help. The fact that over 90% of our factories are managed by local managers makes it easier to respond quickly in the case of social emergencies.

In 2022, 3,680 employees participated in community work projects aligned with the Sustainable Development Goals..

Initiatives in India

India is home to the bulk of the community projects carried out by CIE Automotive, often times in collaboration with suppliers and in all instances with children as beneficiaries. Below is a synopsis of some of the main programmes carried out in 2022:

- Project LAKSHYA: provision of training to unemployed and marginalised youths for technical jobs, such as CNC operator, hydraulic and pneumatic system fitter and industrial welder. Skills development (NSDC), Government of India.
- Project GEMS: green education in schools movement driving the development of student skills in the areas of safety, sustainability and health and helping them become socially responsible citizens.
- Project WASH: child immunity improvement and health programme via clean drinking and sanitation water and hygiene habits.
- Project MAMTA: provision of health and education opportunities to children affected by HIV.
- Mobile Clinic Project: support for vulnerable leprosy sufferers in Bengaluru.
- Project Lotus: sign language training for students with speaking and hearing issues.



# Institutional profile

As a prominent member of the auto parts industry, CIE Automotive encourages fair and responsible regulation of its activities so as to benefit the sector, its stakeholders and society.

To that end, it participates actively in Spain’s automotive suppliers association, Sernauto, from which it advocates for a constructive, proactive and negotiated model for the automotive industry in which the targets for the decarbonisation and digitalisation of the stock of vehicles in Europe are attained while preserving the sector’s manufacturing capabilities, skilled jobs and market size, underpinned by an inclusive transition designed to pave the way for the transformation of the current productive fabric with as few adverse effects as possible.

Internationally, it participates in the European Association of Automotive Suppliers (CLEPA), where it focuses its efforts on the areas of trends and innovation. It also tries to collaborate on a number of different areas with its customers thanks to the close relationship between CLEPA and ACEA with the aim of involving the supply chain in the various challenges, paying special attention to circularity and environmental impact.

CIE Automotive also plays a very active role at Forética, a benchmark organisation in corporate sustainability and social responsibility whose mission is to drive the integration of ESG aspects into the strategy and management of businesses and other organisations. The company is a member of its Transparency, Integrity and Good Governance Cluster, Climate Change Cluster and Social Impact Cluster.

Refer to “Progress made on the ESG front”

## ASSOCIATIONS TO WHICH CIE AUTOMOTIVE BELONGS

**SERNAUTO** – the Spanish association of automotive equipment and components manufacturers. Member of the Management Board.

**ADP** – Association for management progress.

**CLEPA** – the European Association of Automotive Suppliers. Member of the R&D Committee.

**EGVIA** – the European Green Vehicles Initiative Association.

**M2F (Move to Future)** – a Spanish automotive and mobility technology platform. Membership of the Governing Board.

**TECNALIA** – a private applied research centre Member of the Management Board.

**ACICAE** – the Basque automotive cluster. Chair of the Management Board.

**CEAGA** – the Galician automotive cluster.

**AIC** – Automotive Intelligence Center. Vice-Chair of the Management Board.

**TASKFORCE PILOT TESTING ADVANCED MANUFACTURING IN THE BASQUE REGION.** Member of the Executive Committee.

**ACMA** – the Automotive Component Manufacturers Association of India.

**BACC** – the Baltic Automotive Components Cluster.

**FVEM** – the Bizkaia confederation of metal companies.

**Basque Ecodesign Center** – Founding Partner.

Environmental issues have been a driving force at the company for years now, prompting CIE Automotive to jointly set up the Basque Ecodesign Center in 2011, a stable collaboration between private sector players and the Basque regional government.

## Relations with local authorities

Relations between CIE Automotive and the various authorities as a result of its industrial activity are framed by strict observance of prevailing legislation and the utmost transparency, in keeping with the principles laid down in its Code of Professional Conduct.

The company is not associated with any form of political ideology in Spain or anywhere else and it forbids contributions to political parties or their representatives or candidates in the name or on behalf of the company that could have or be seen to have political implications.



# Environment

2022 marked the rollout of the environmental dimension of the 2025 Strategic Plan and the assumption of new long-term commitments: becoming net zero by 2050 and contributing to transport decarbonisation to curtail global warming, all of which based on science. Last year, the company measured its environmental footprint at all of its factories, sharing best practices with them in order to advance towards carbon neutrality. On its pathway towards a circular model, CIE Automotive emphasised eco-design and monitored its consumption and waste generation.

### PROGRESS MADE IN 2022

- ✓ Completing environmental footprint measurement at all factories.
- ✓ Sharing environmental goals and know-how with all the factories, providing specific seminars in all markets.
- ✓ Calculating the cost of emissions relative to the value added.
- ✓ Updating and improving the climate risk map.
- ✓ Cooperating with other Basque companies to start up Basquevolt.
- ✓ Commitment to the science-based target of keeping global warming to 1.5°C and being net zero by 2050.

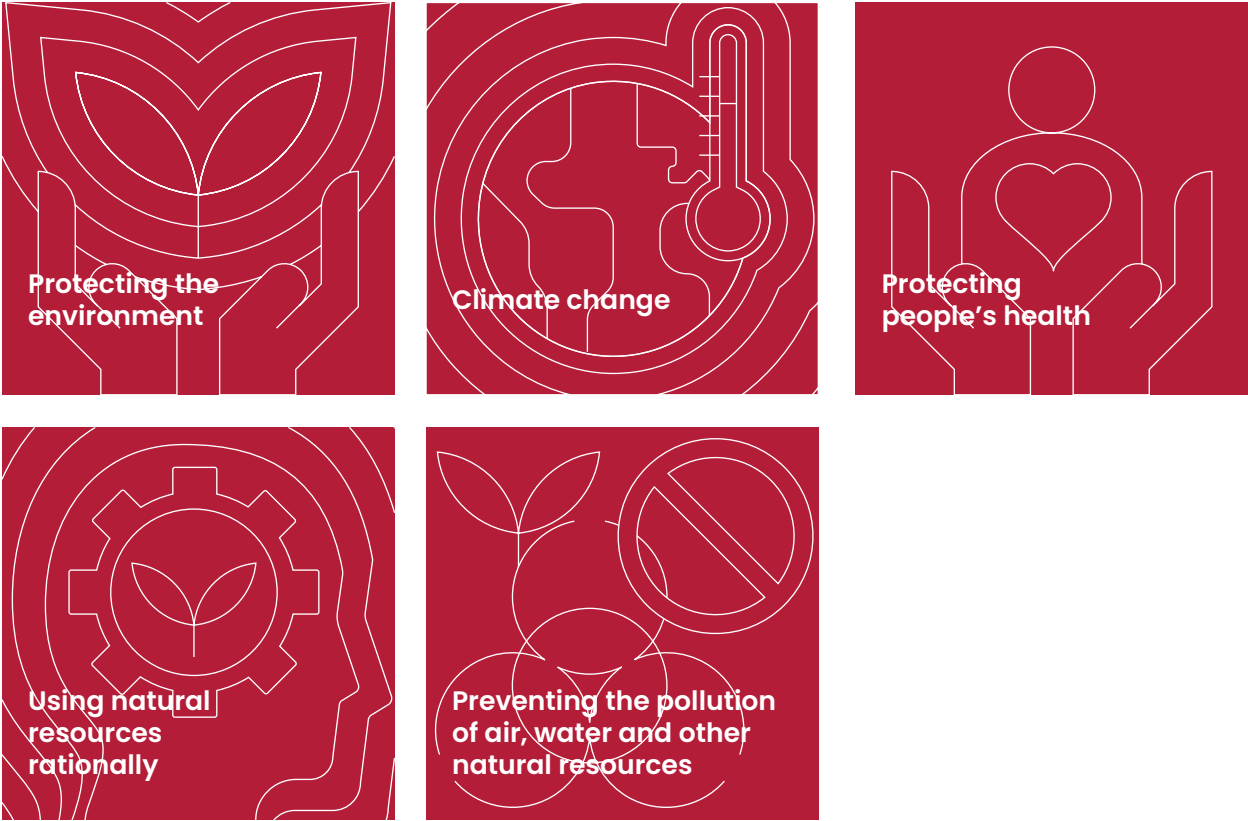
### CHALLENGES FOR 2023

- Assessing materiality with respect to scope 3 emission aspects, such as employee commutes and business travel.
- Incorporating environmental costs into project cost calculation tools.
- Making progress towards delivery of scope 3 emissions targets.
- Determining the materiality of VOC emissions.

# Environmental policy and climate change action

CIE Automotive aspires to provide the best solutions for the mobility of the future as a carbon neutral player by achieving maximum resource circularity and zero net emissions. That ambition is enshrined in its **Environmental Policy**, which sets down its commitment to the Sustainable Development Goals also embodied in its mission and values.

## Environmental policy priorities



The company's product development process is framed by eco-design and efficiency criteria, as stipulated in the Environmental Policy. Eco-designing products means taking a lifecycle approach so that at the concept phase, leveraging guidelines and lessons learned, we design products that are easier to repair, take apart and sort for recycling.

We also factor in labelling regulations governing polymer materials in order to be able to identify families of materials and foster their sorting and recycling. In that manner, the product design phase fosters the use of recycled or secondary and recyclable materials, likewise addressing their end of life by enabling the separation of the various materials used for recycling.

The industrialisation of any product entails an assessment of the environmental aspects of its production, from raw materials to waste disposal. Each factory analyses its own consumption patterns using economic and environmental criteria. Each location is also analysed for environmental risks, in accordance with ISO 14001, and there is a global risk map at the corporate level.

However, CIE Automotive's environmental challenge goes beyond the environmental management of its own factories, extending to its supply chain, to ensure its suppliers' commitments are aligned with its own. To that end, it helps its suppliers reduce their emissions, purchases and generates renewable energy and helps decarbonise transport by making eco-designed parts, many of which are targeted at electrified vehicles.

The corporate Environment Department is responsible for establishing the guidelines governing the facilities' environmental plans and coordinating the resulting initiatives. As a result, the factories are gradually integrating environmental criteria into their activities, taking a preventive approach.

On the institutional front, the company is an active participant in Forética's Climate Change Cluster, a business platform whose mandate is to mainstream the main global climate change trends and debates in to the Spanish business community.



ENVIRONMENTAL STRATEGY

Climate change action is fully integrated into CIE Automotive’s corporate strategy: the 2025 Strategic Plan defines KPIs related with energy efficiency, emissions abatement, water consumption and waste generation, among others, building them into the dashboard.

They are annual targets to be met locally by each factory and they are based on the Global Reporting Initiative (GRI) standards.

CIE Automotive’s environmental strategy considers the climate emergency-related targets contained in the 2025 Strategic Plan to be short-term targets. As a result, in 2022, it reinforced its commitments by adding medium- and long-term targets, while reaffirming its commitment to delivery of the targets and initiatives already being deployed under the scope of the 2025 Strategic Plan.

In 2022, CIE Automotive conveyed those commitments to all of its factories, carrying out intense training and awareness-raising efforts in its various geographical areas. It also shared environmental best practices to ensure that all of its workplaces are prepared to attain their targets.

That awareness-raising and know-how sharing effort materialised in online seminars involving all of the company’s internal stakeholders and specific onsite seminars in the main regional markets: Asia, Europe, North America and Brazil. The goal was to drive awareness from top to bottom by involving the various country and technology heads, combined with the online seminars which were broadly disseminated across several levels of the organisation.

Changes in the supply chain and in the sources used to generate energy, coupled with supply issues derived from the broader global bottlenecks, posed differing levels of difficulty for some markets and technologies in reducing their emissions. However, rollout of the related initiatives remains generally robust and in line with the action plan.

| GRI COMPLIANCE |       |                                                                                                                                                |               |                    |                  |
|----------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------------|------------------|
|                | GRI   | Description                                                                                                                                    | Annual target | 2030 Agenda target | Delivery in 2022 |
| Energy         | 302-1 | Energy consumption within the organisation<br>Reduction in energy consumption (electricity)<br>Reduction in energy consumption (gas)           | 2%            | 20%                | -23%             |
|                | 305-1 | Direct (Scope 1) GHG emissions<br>Reduction in GHG emissions                                                                                   | 2%            |                    | -12%             |
|                | 305-2 | Energy indirect (Scope 2) GHG emissions<br>Increased use of electricity generated from renewable sources                                       | 5%            | 100%               | -17%             |
| Waste          | 301-2 | Recycled input materials used                                                                                                                  |               |                    | +82%             |
|                | 306-2 | Waste by type and disposal method<br>Decrease in the total volume of waste generated<br>Increase in the percentage of waste sent for recycling | 5%            | 90%                | -9%              |
| Water          | 303-5 | Water withdrawal by source<br>Reduction in water consumption<br>Increased use of recycled water                                                | 2%            |                    | -8%              |

# NEW LONG-TERM ROADMAP

The climate emergency has prompted CIE Automotive to strengthen its commitment to carbon neutrality by joining the SBTi and setting the clear target of achieving neutrality by no later than 2050, implying medium-term targets to limit global warming to 1.5°.

To that end, in December 2022, CIE Automotive's Board of Directors took its environmental strategy a step forward by approving a new roadmap which establishes new medium- and long-term targets based on science and the Paris Agreement.

The new roadmap contemplates:

- Achieving net zero greenhouse gas emissions no later than 2050.
- Helping limit global warming to 1.5 degrees Celsius by comparison with pre-industrial levels by reducing greenhouse gas emissions.
- Establishing science-based medium- and long-term targets that are SBTi-approved within 24 months' time.
- Executing Supply Chain Race to Zero, a project designed to involve the supply chain by supporting and mentoring suppliers finding it hard to deploy policies aligned with the goals being targeted by CIE Automotive, its customers and its stakeholders.

## POLLUTION CONTROL

CIE Automotive's environmental management systems are based on the ISO 14001 standard and ensure pollution does not exceed the thresholds stipulated in prevailing regulations. Each group company's management system focuses on guaranteeing control over impacts on the air and pollution so as to identify potential risks and launch local action plans to eliminate or mitigate them, in keeping with applicable legislation.

CIE Automotive's global balanced scorecard includes environmental cost as a function of revenue as a key performance indicator. That indicator includes the cost of emissions calculated in terms of emission allowances (EUA), even though the company does not participate in the global emission trading scheme.

Noise pollution can be a relevant issue, depending on factory technologies and locations. However, CIE Automotive's factories are located in industrial areas at a sufficient distance from residential districts so as not to pose a problem.

Light pollution is not a relevant consequence of CIE Automotive's activities.

## BIODIVERSITY PROTECTION

Given that CIE Automotive carries out its business activities in industrial areas/estates, it believes that its impact on biodiversity is not significant and therefore not material for the purpose of the group's reporting effort. No information is therefore provided with respect to biodiversity in this report.

Nevertheless, the environmental risk analysis work being done with Marsh does analyse the situation at each productive facility in order to assess its surroundings and any potential impacts on biodiversity.

## ENVIRONMENTAL INVESTMENTS

CIE Automotive adapts its production facilities to meet the legislative environmental requirements of the countries in which they are located.

To that end, in 2022 it invested in minimising its environmental impact and in environmental protection and restoration work, in addition to incurring expenditure on waste removal and environmental consultancy, measurement and certification work.

The combined amounts of investments and expenses accrued in 2022 in relation to environmental protection work totalled €11.6 million (€5.1 million in 2021).

## FINES OR SANCTIONS

In 2022, the company received a significant fine for non-compliance with environmental laws and regulations at one of its factories in China (no significant fines received in 2021). Significant fines are those of €30,000 or more.

## COMPLIANCE WITH REGULATION (EU) 2020/852 ON CLIMATE TAXONOMY

The EU Taxonomy is a classification system establishing the conditions that an economic activity has to meet in order to qualify as environmentally sustainable; specifically an activity must make a substantial contribution to one or more of the six environmental objectives established by the European Union, without having a significant detrimental impact (the Do No Significant Harm principle) on the other five, while meeting certain minimum social safeguards, defined as ILO Core Labour Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The ultimate goal of the Taxonomy is to redirect investment flows towards climate neutrality (net zero GHG emissions) via a two-pronged plan: helping players in the financial sector to decarbonise their securities and credit portfolios and giving non-financial companies (such as CIE Automotive) increased access to financing for technology, products and services in line with the guidelines set in the green transition framework.

Following an analysis of its activities, CIE Automotive concluded that all its productive processes, despite applying a range of methodologies, are encompassed by a single economic activity code: NACE C29.3.2. Manufacture of other parts and accessories for motor vehicles.

That economic activity is not identified or described in the supplementing Commission Delegated Regulation 2021/2139, which is focused on climate mitigation and climate change adaptation objectives. Nor is its NACE code included. What that means is that, in keeping with current implementing regulations, the company's economic activity is not a priority for the EU's first two environmental objectives. As a result, as defined in the Regulation, CIE Automotive's economic activity is not Taxonomy-eligible.

That makes sense considering the fact that for now the Delegated Regulation is focused on the economic activities and sectors with greatest scope for contributing to the targeted reduction in greenhouse gas emissions.

For clarification, note that there isn't a single criterion regarding the scope of application of eligibility. The Regulation uses the NACE Revision 2 classification system as its guide, as set down in paragraph 6 of Commission Delegated Regulation 2021/2139, to identify which activities are eligible, which means there is some room for interpretation as to what is eligible under the Taxonomy.

The Taxonomy framework seeks to provide uniform and standard criteria in the area of environmental sustainability and so prevent greenwashing with the ultimate goal of making it easier to compare companies from a given sector and so encourage the flow of capital towards more sustainable activities.

That line of reasoning is set down in the introduction to the Delegated Regulation, which states "In order to ensure a level playing field, the same categories of economic activities should be subject to the same technical screening criteria for each climate objective.

It is therefore necessary that the technical screening criteria, where possible, follow the classification of economic activities laid down in the NACE Revision 2 classification system of economic activities..." Accordingly, although the Regulation acknowledges that the NACE system should serve as a guide and should not dictate the definition of eligible activities, that does not mean that sustainability measures being taken by an entity to support its core activity, duly identified with a NACE code, should be subject to an eligibility study. If that were the case, it would be impossible to meet the comparability and level playing field criteria sought by the legislation.

Although CIE Automotive's economic activity is not eligible, in order to comply with the Regulation's requirements, a materiality analysis has been performed for the 3 KPIs: revenue, capital expenditure (CAPEX) and operating expenditure (OPEX) for 2022.

**TURNOVER:** The key performance indicator (KPI) related to turnover is calculated as the percentage of turnover derived from Taxonomy-aligned activities (numerator) over total company turnover (denominator). Turnover is defined as the revenue recognised pursuant to International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by Commission Regulation (EC) No 1126/2008.

CIE Automotive, S.A. reports a turnover KPI equivalent to 0%. That is because the company's revenue-generating activities are not included on the list of eligible activities itemised in Annexes 1 and 2 of the Commission Delegated Regulation of 4th June.

**CAPEX:** The CAPEX KPI is measured as the percentage of fixed assets invested in eligible economic activities (numerator) over total assets acquired in the course of 2022 (denominator).

That denominator (Total CAPEX) is defined as additions to tangible and intangible assets during the financial year considered before

depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. It also includes additions resulting from business combinations. Accordingly, Total CAPEX covers the costs recognised in keeping with IAS 16, IAS 38, IAS 40, IAS 41 and IFRS 16.

The CAPEX KPI reported by the company is equivalent to 0%. That is because the company's environmental investments (which include certain Taxonomy-eligible activities such as, for example, those referred to as activities 7.3 "Installation, maintenance and repair of energy efficiency equipment" and 7.6 "Installation, maintenance and repair of renewable energy technologies") account for less than 1% of the company's Total CAPEX. It was concluded, therefore, that eligible CAPEX under the Taxonomy is equivalent to 0%.

For this reason, the criteria necessary for their alignment have not been assessed. However, in accordance with the obligation to use the templates in Annex II of the Delegated Regulation Act Article 8.37, the eligibility and alignment figures relating to CIE Automotive's CapEx are detailed in the section "Data tables and glossary".

**OPEX:** The OpEx KPI is defined as the percentage of Taxonomy-aligned OpEx (numerator) over total qualifying OpEx (denominator). That denominator covers direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. The numerator, meanwhile, must include the operating expenses included in the denominator that relates to eligible activities.

In the case of the CIE Automotive Group, the uncapitalised direct costs contemplated in the Taxonomy, i.e., those included in the denominator, represent less than 5% of the Group's total operating expenses. As a result, its value is considered not material for the business model and, as prescribed in section 1.1.3.2 of Annex I of the Commission Delegated Regulation of 6th July 2021, the numerator is therefore disclosed as being equal to zero.

# Environmental footprint

On its pathway towards carbon neutrality, CIE Automotive has begun to measure its environment footprint at the global level in order to be able to precisely track its emissions, use of natural resources and the waste associated with its activities. That snapshot will allow it to identify, assess and interpret its environmental situation and take informed decisions.

After calculating its environmental footprint in Europe, North America and Brazil on a preliminary basis in 2021, in 2022 it completed that measurement across all of its worldwide.

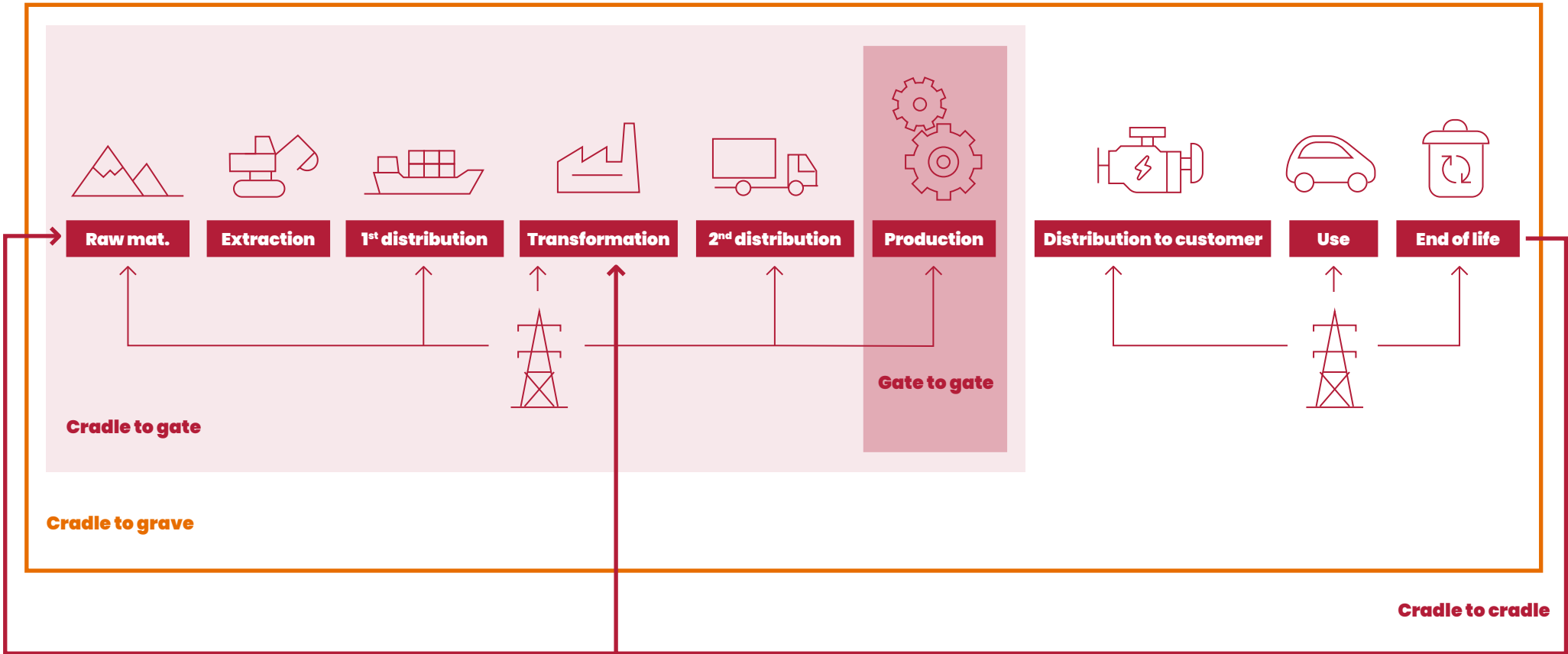
Work is underway to calculate product footprints, especially in the roof system division, on account of the importance and complexity of its products. The company has analysed the difference between similar products or the same product made in different locations.

Work has also begun on calculating the environmental footprint of projects during the quoting phase at the same time as the cost calculations are made.

### Scope and impacts assessed

The results of that measurement derive from the analysis of 17 impacts, quantified from when the raw materials are generated until the components and subassemblies leave the factories where they are made.

## Scope of Cie Automotive's environmental footprint



### The 17 Impacts Analysed

- Climate change (human health)
- Depletion of the ozone layer
- Toxicity for humans
- Formation of photochemical smog
- Formation of fine particles
- Ionising radiation
- Climate change (ecosystems)
- Soil acidification
- Seawater eutrophication
- Soil ecotoxicity
- Freshwater ecotoxicity
- Marine ecotoxicity
- Rural land occupation
- Urban land occupation
- Natural soil transformation
- Use of natural resources
- Use of solid fuels



Conclusions

One of the key conclusions drawn from the calculations performed in 2022 is that 80% of the environmental footprint of the company’s products stems from the use of raw materials, prompting CIE Automotive to step up its collaboration with its suppliers in order to reduce that impact.

Hence the tremendous importance of the Supply Chain Race to Zero project. The company has already contacted raw material suppliers providing the main types of materials in order to learn about their decarbonisation plans and targets and identify potential obstacles to progressing along the climate neutrality pathway. In the event that suppliers need assistance or support, the latter is being provided with a view to ensuring that our objectives are being transmitted robustly and consistently all along the supply chain.

In 2022, the company attained its Scope 1 and Scope 2 reduction targets, and, importantly, its emissions intensity reduction goals. The latter achievement indicates that in 2022 the company eked out highly efficient growth, generating value at a strong pace despite the challenging emissions-cutting targets we have set ourselves.

The introduction of guidelines for efficient and sustainable water usage and waste management proved effective, delivering significant reductions once again last year.

Analysis has begun at key factories in different geographies to determine the scale of the impact of business travel and employee commutes. The preliminary findings suggest an insignificant impact.

Measurement tools

To calculate the environmental footprint, the company uses the emission factors associated with energy consumption obtained from the Ecoinvent v3.4 inventory database, applying the ReCIPE impact assessment methodology, with the collaboration of IHOBE, a public environmental management company belonging to the Basque regional government..

Within the universe of activities of each company, based on the assessment that their impact is smaller, the following aspects were excluded from the analysis:

Upstream

- Consumption at central/sales offices outside of manufacturing facilities.
- Capital goods (vehicles, machinery, tools, etc.).
- Displacement of employees to go to work.
- Business travel.
- Upstream assets leased.
- Trips to the organisation by visitors or customers.

Downstream

- Transport and distribution.
- Processing of products sold.
- Use of products sold.
- End-of-life treatment of products sold.
- Assets leased in subsequent phases.
- Franchises.
- Investments.



The 2022 calculations  
reveal that more than 80%  
of the environmental footprint  
of the company’s products  
stems from the use of raw materials

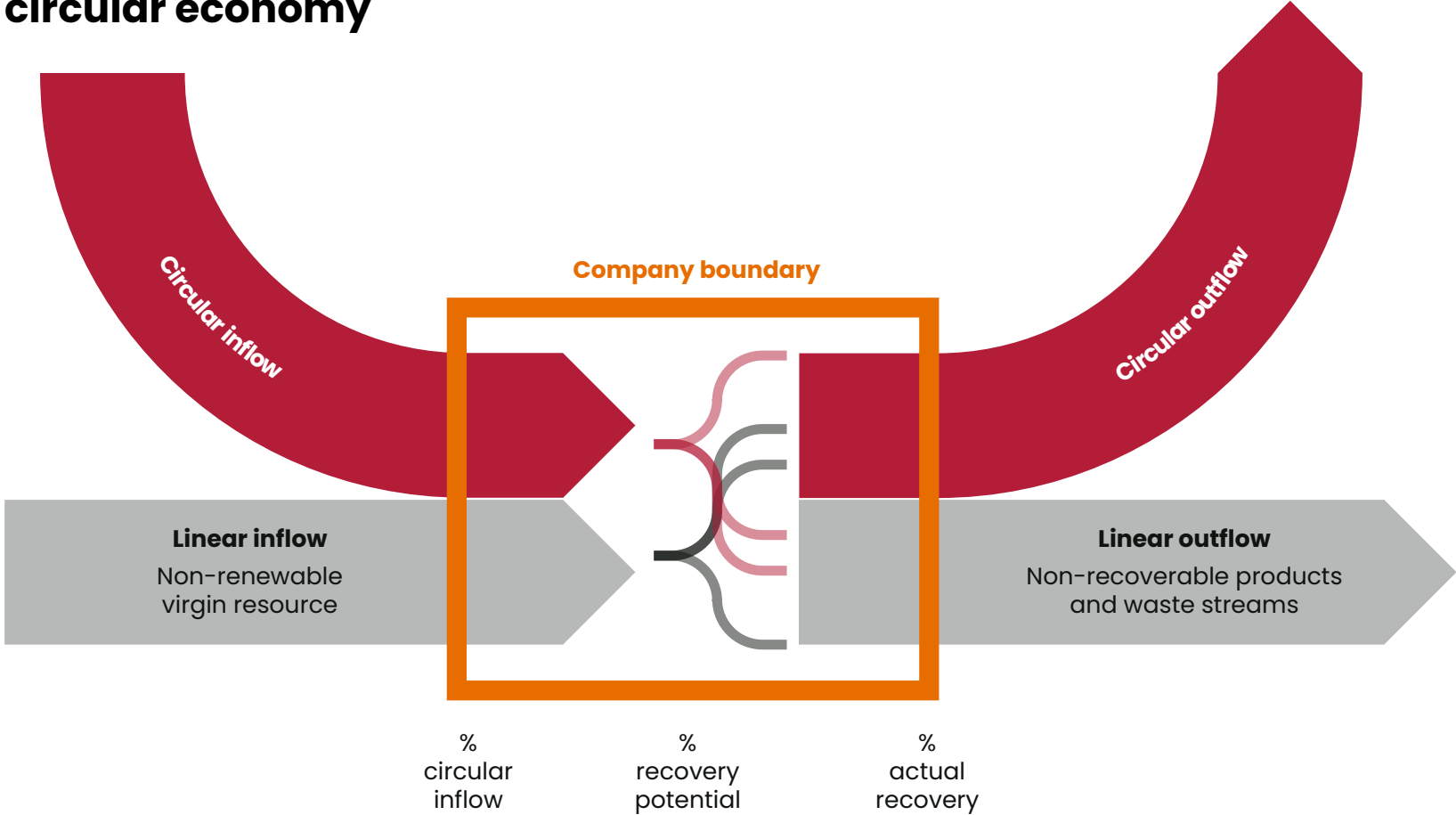
# Towards a circular economy

CIE Automotive is moving towards a circular model, striving to reduce raw material, water and energy consumption and waste year after year. To that end, it is taking action at every stage of its value chain, introducing energy efficiency measures throughout its processes and facilities that not only help minimise its environmental impact but also reduce energy costs.

The 2025 Strategic Plan contemplates a series of circularity-specific KPIs, based on the World Business Council for Sustainable Development (WBCSD) and its Circular Transition Indicators.

The information gathered tells the company, for example, how many times the water drawn gets used, which waste can be recycled and which cannot and what effects the factories' manufacturing activities have on biodiversity.

## CIE Automotive and the circular economy





ENERGY EFFICIENCY

CIE Automotive is trying to adjust its energy consumption for its real production needs, introducing energy savings mechanisms to reduce its environmental impact and make it more competitive.

Over the last three years, progress in this area has resulted in a reduction in relative emissions of 25.02% to 0.05 CO<sub>2</sub> TM per 1,000 euros invoiced, and a total energy reduction percentage of 22.15%.

In 2022, the company launched 31 energy savings and efficiency initiatives across its various markets and divisions in which its employees became heavily involved.

| ENERGY CONSUMPTION AND SAVINGS                                       |              |              |              |
|----------------------------------------------------------------------|--------------|--------------|--------------|
| Gigajoules                                                           | 2020         | 2021         | 2022         |
| Direct energy consumption                                            | 1,521,671.97 | 1,922,653.06 | 1,695,060.74 |
| Indirect energy consumption from renewable and non-renewable sources | 3,340,296.56 | 3,885,073.74 | 3,932,206.88 |
| Indirect energy consumption from non-renewable sources               | 1,774,612.12 | 1,971,005.79 | 1,695,803.31 |
| Indirect energy consumption from renewable sources                   | 1,565,684.45 | 1,914,067.96 | 2,236,403.56 |
| TOTAL                                                                | 4,861,968.53 | 5,807,726.80 | 5,627,267.62 |

For further information on energy consumption by region, refer to the detailed table provided in “Data tables and glossary”.

In 2022,  
the company launched  
31 energy savings and  
efficiency initiatives  
across its various markets  
and divisions  
in which its employees  
became heavily involved.



| EMISSIONS                    |           |           |           |
|------------------------------|-----------|-----------|-----------|
| MT CO <sub>2</sub>           | 2020      | 2021      | 2022      |
| Direct emissions (Scope 1)   | 90,326.6  | 114,760.6 | 101,153.0 |
| Indirect emissions (Scope 2) | 322,175.4 | 389,477.3 | 324,162.5 |
| TOTAL                        | 412,502.0 | 504,238.0 | 425,315.5 |

Emissions (Scope 3). Refer to the section on materials.

The emissions factors corresponding to energy consumption were obtained on the basis of version 3.4 of the Ecoinvent life cycle inventory database, using the ReCiPe life cycle impact assessment method. The fuel factors used take into consideration the type of technology used to generate the fuel. In accordance with Directive 2003/87/EC of the European Parliament and of the Council, biomass is deemed a source of energy with an emission factor of zero.

Lastly, the emission factors associated with electricity consumption were determined on the basis of each country's generation mix.

For further information on emissions by region, refer to the detailed table provided in the “Data tables and glossary” section.

Carbon offset

In addition to working to reduce its emissions, CIE Automotive is trying to offset them by means of a number of programmes in collaboration with its suppliers. For example, it has reached an agreement with Air France-KLM for the offset of the carbon emissions associated with its employees' business travel under which it finances sustainable development projects. Specifically, CIE Automotive's contributions go to the EcoAct reforestation project in Vichada, Colombia.

In the case of Lufthansa, the company offset the emission of 5,506 kilos of CO<sub>2</sub> derived from its flights by financing the use of sustainability airline fuel (SAF).

Note that the commitments assumed and short- and medium-term targets set do not contemplate the company's carbon offsets.

For more information on this and other projects collaboration, see “Suppliers” section.

Strategic commitment to clean energy

CIE Automotive is strategically committed to the purchase of clean energy to power its facilities in every market where it is possible to do so. In Spain, 100% of the power consumed is green. In 2022 it forwent emissions equivalent to 216,814.45 metric tonnes of CO<sub>2</sub>.

| EMISSIONS FOREGONE AS A RESULT OF THE PURCHASE OF ENERGY GENERATED FROM RENEWABLE SOURCES |            |            |            |
|-------------------------------------------------------------------------------------------|------------|------------|------------|
| MT CO <sub>2</sub>                                                                        | 2020       | 2021       | 2022       |
| Indirect emissions foregone                                                               | 120,645.37 | 139,340.49 | 216,814.45 |

Framed by that same goal of reducing harmful emissions and lowering its energy bills, the company is developing a number of self-generation projects in Europe and India by installing photovoltaic solar panels. In India it has also invested in a company that generates solar power for supply to its factories.

| INSTALLED PHOTOVOLTAIC PANEL CAPACITY |         |                      |                      |
|---------------------------------------|---------|----------------------|----------------------|
| Factory                               | Country | Energy produced 2021 | Energy produced 2022 |
| AEL Aurangabad plant 3 (HPDC)         | IN      | 305,084              | -                    |
| AEL Pantnagar plant 1 (HPDC)          | IN      | -                    | 667,360              |
| MCIE - Composites Kanhe               | IN      | 416,130              | 438,537              |
| MCIE - Forging Division (Pune)        | IN      | 1,230,929            | 1,305,475            |
| MCIE - MPD                            | IN      | 921,166              | 873,682              |
| Mahindra G&T Pune                     | IN      | 473,460              | 462,854              |
| MCIE Stampings - Kanhe                | IN      | 342,988              | 1,383,439            |
| MCIE Stampings - Nashik               | IN      | 546,260              | 972,586              |
| MCIE Stampings - Radrapur             | IN      | 124,852              | 131,882              |
| MCIE Stampings - Zaheerabad           | IN      | 907,869              | 872,344              |
| CIE Galfor                            | SP      | 221,360              | 195,765              |
| CIE Mecauto                           | SP      | 243,391              | 316,933              |
| CIE Orbelan                           | SP      | 66,236               | 64,570               |
| CIE Plasfil                           | PT      | 1,082,660            | 1,111,360            |
| CIE Stratis                           | PT      | 196,130              | 184,060              |

The commitment to green energy is gradually being extended to new aspects of the group's business activities. In keeping with the electrification thrust, the company has begun to replace the forklifts propelled with fuel engines (petrol) with equipment fuelled with cleaner energy, such as electricity, always generated from renewable sources. The goal is to reduce smoke and noise, which affect the environment as well as impairing working conditions.

Some of the projects designed to reduce energy consumption, such as those related with the Industry 4.0 thrust, have also involved the group's suppliers. Spain, Portugal and France pioneered that initiative in 2022.

For more information on this and other projects collaboration, see "Suppliers" section.

Some of the projects designed to reduce energy consumption and related with the Industry 4.0, have also involved suppliers.

ACQUISITION BY MCIE OF 27%  
OF STRONGSUN SOLAR PRIVATE LIMITED, WHICH  
WILL GENERATE SOLAR POWER FOR IT

In 2022, MCIE invested a little over INR 24 million to buy 303,250 shares of Strongsun Solar Private Limited, giving in a 27.35% equity interest in that company. In the wake of that investment, Strongsun will commission two photovoltaic solar power generation plans with 7 MWp and 3 MWp of capacity which will supply electricity to Mahindra CIE Automotive’s forging division in Urse and its magnetic products division in Bhosari, respectively, from January 2023.

The investment marks another milestone in the pathway to sustainably sourced energy embarked on by MCIE 2019, when it struck agreements with several solar power producers for the installation of solar panels at nine of its factories in India. Those solar panels generate 540,000 units of electricity on average every month.

Later, in 2020 and 2021, MCIE invested in three self-sufficient electric stations (53 MW) so that they would supply power to its casting, forging and magnetic products factories in Pune, Maharashtra (India). The company invested INR 152.4 million to commission those facilities. Those three stations generate approximately 6.5 million units of energy every month.

The investment in Strongsun Solar was not the only transaction in 2022, as the company also invested INR 19.2 million in 6 MW of solar power for the forging division, which will yield another 4 million units of savings a year from February 2023.

The recent investments means that 63% of total energy consumption in the Indian region of Maharashtra will come from solar power. It is also worth noting that in the state of Karnataka (India), where Bill Forge has its factories, around 85% of the energy consumed comes from green sources, specifically a mix of wind and sun.

The table below itemises the investments made in solar power in 2022:

| Factory | Additional units | Investment (INR m) | Paid in Dec. 2022 (INR m) | Supplier                     | No. of shares (INR 80 per share) |
|---------|------------------|--------------------|---------------------------|------------------------------|----------------------------------|
| Casting | 7 MW             | 23.5               | 23.45                     | Strongsun Solar Pvt. Ltd.    | 303,250                          |
| Magnets | 3 MW             | 10.05              | 0.81                      |                              |                                  |
| Forging | 6 MW             | 19.2               | 19.2                      | Sunbarn Renewables Pvt. Ltd. | 240,000                          |
| Total   | 16 MW            | 52.75              | 43.46                     |                              |                                  |

WATER AND MATERIAL CONSUMPTION

CIE Automotive uses water extensively in making parts that require material transformation at high temperatures. In order to minimise water discharges, it has proprietary water treatment systems that enable its recirculation and recovery.

One of the circular transition indicators being newly

| WATER CONSUMPTION AND EXTRACTION |              |              |              |
|----------------------------------|--------------|--------------|--------------|
| <i>m³/year</i>                   | 2020         | 2021         | 2022         |
| Surface water                    | 282,218.00   | 196,216.00   | 243,200.00   |
| Underground water                | 338,394.00   | 346,149.20   | 361,348.60   |
| Rainwater                        | 30,286.00    | 18,842.00    | 10,278.00    |
| Municipal networks               | 799,990.78   | 1,037,668.98 | 1,042,342.55 |
| TOTAL                            | 1,450,888.78 | 1,598,876.18 | 1,657,169.15 |

| WATER DISCHARGE   |                |
|-------------------|----------------|
| <i>Definition</i> | <i>m³/year</i> |
| To sewer          | 326,371.9      |
| To river          | 41,225.0       |
| To waste manager  | 94,452.1       |
| TOTAL             | 462,049.0      |

tracked and calculated is the volume of water reused in the production facilities. That recirculation is concentrated primarily in the refrigeration circuits.

| VOLUME OF WATER RECIRCULATED |      |               |               |
|------------------------------|------|---------------|---------------|
| <i>m³/year</i>               | 2020 | 2021          | 2022          |
| TOTAL                        | NA   | 64,204,133.80 | 56,215,145.24 |

Raw materials

The company reviews all of its processes constantly to ensure the responsible use of raw materials. A good example of this practice is the concerted effort to reduce the gross weight of

| MATERIAL CONSUMPTION    |                  |                  |                  |
|-------------------------|------------------|------------------|------------------|
| <i>Kg</i>               | 2020             | 2021             | 2022             |
| Raw materials used      | 1,270,687,234.00 | 1,448,043,709.24 | 1,230,298,192.68 |
| Raw materials recovered | 300,992,757.00   | 395,728,480.86   | 551,193,852.42   |
| % TOTAL                 | 24%              | 27%              | 45%              |

For further information on consumption by region, refer to the detailed table provided in the “Data tables and glossary” section.

the products it make. That effort lowers the generation of waste and the consumption of energy and other products needed in the manufacturing process.

At present, 45% of the raw materials used by the group are recycled.



WASTE MANAGEMENT

CIE Automotive deploys a recycling system that enables the internal recovery of thousands of tonnes of remains deriving from its various productive processes. The waste generated that cannot be recycled is collected by expert handlers which prioritise recycling over the landfill disposal method. In 2022, 16% of all waste generated was sent to landfill, while 82% was reused.

Aluminium and Iron

The injection moulding and machining processes generate sizeable amounts of remains such as sprue, risers, set-up pieces, etc. from the injection moulding process and shavings from the machining process. In both instances, the company reuses these remnants in the casting process.

Plastic

The plastics division recycles sprue and other remains returned by its injection moulding process.

Steel

This is the material with the highest associated volume of waste. As it cannot be recycled in full within the group’s factories, it is delivered to a number of different local suppliers for full reuse.

| WASTE MANAGEMENT                |            |            |            |
|---------------------------------|------------|------------|------------|
| TM                              | 2020       | 2021       | 2022       |
| Hazardous waste disposed of     | 16,329.20  | 17,457.88  | 17,462.06  |
| Non-hazardous waste disposed of | 266,038.02 | 355,293.24 | 324,307.33 |
| TOTAL                           | 282,367.22 | 372,751.12 | 341,769.96 |

For further information on waste generation by region, refer to the detailed table provided in the “Data tables and glossary” section.

Responsibility for waste generation does not end when that waste is removed from CIE Automotive’s facilities. To that end, in addition to its waste minimisation plans, it has devised a new waste classification system sorted by method of elimination, thereby seeking to reduce its environmental impact.

Albeit unrelated to the group’s core business, all of the facilities with canteens or food vending machines for employees are subject to the most stringent quality and safety rules, including food waste prevention criteria to the extent feasible.

In addition to its waste minimisation plans, the group has devised a new waste classification system sorted by method of elimination



CONVERSION OF WASTE  
TO COOKING GAS

CIE Automotive’s factories are coming up with innovative ideas for managing their waste and reducing their energy consumption. For example, the Stampings Zaheerabad factory in Vayu.

Spurred on by the Clean India Mission, is turning food waste into natural gas which is used for cooking in the canteen. The waste generated after conversion into natural gas is used as manure in gardening and tree-planting.

Emissions derived  
from the supply chain

In 2022, the company also calculated the emissions generated by its supply chain by adding a new, compulsory questionnaire for suppliers.

| SCOPE 3 EMISSIONS<br>(those derived from supply chain activities) |           |           |
|-------------------------------------------------------------------|-----------|-----------|
| CO <sub>2</sub> MT                                                | 2021      | 2022      |
| Other indirect emissions                                          | 3,638,882 | 3,891,205 |

CIE Automotive’s factories are rolling out

innovative projects.

Stampings Zaheerabad in Vayu,

for example, is converting food waste into natural gas



# Environmental risk management

Climate risk management is framed by a preventive approach.

The risk of accidents is covered by the company's civil liability insurance, while the company underwrites gradual pollution risk for the following factories in Spain: CIE Alcasting (aluminium), CIE Amaya (machining), CIE Galfor (forging), CIE Inyectametal (aluminium) and CIE Vilanova (aluminium). The last three facilities have integrated pollution prevention control (IPPC) permits. The claims limit on that gradual pollution insurance policy for those five factories is €3 million.

To reinforce the management of its environmental and safety risks, CIE Automotive is working on a joint project with the technical experts from Marsh (insurance broker) and HDI (the company's current underwriter). Specifically, a series of risks are being evaluated and monitored in accordance with criteria established by the various participating companies with the idea of formulating plans for their elimination or at least mitigation. In 2022, this project was concentrated at the machining, plastics and painting factories in Spain and Portugal.

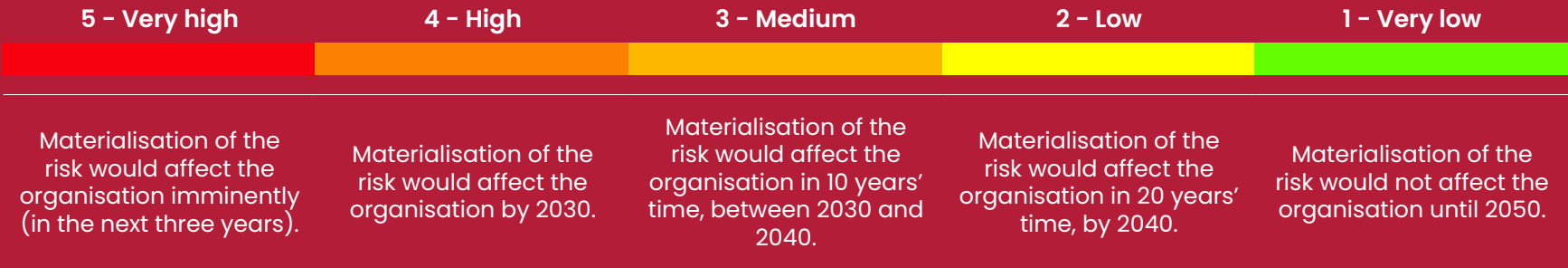


## CLIMATE RISK MAP

### Risk mapping: procedure and scope

The climate risk map was drawn up using the same methodology as the main risk map, which is updated annually. It applies across the entire organisation, stems from the ERM and is the responsibility of the company's key management personnel, management team and specific local managers with expertise in environmental management at the factory level, who are tasked with evaluating the various identified risks:

- 1 From the standpoint of residual risk: considering the measures already in place at CIE Automotive in order to mitigate the potential impact of their materialisation.
- 2 Based on the probability of occurrence in the future, by 2050, in line with the European Union's goal of being climate neutral by that year.



Climate change also poses a threat to the company’s ability to attain its strategic targets. To that end, CIE Automotive includes climate change risk in its risk mapping process, addressing not only the risks deriving from the company’s impact on the environment and climate change, but also the risks posed to the company by the environment and climate change, and the interrelationship between the two.

In total, 145 people participated in drawing up this year’s climate risk map (62 people, or 75%, more than in 2021). They considered the risk factors over a time horizon to 2050 and their geographic and technology purviews in filling out their questionnaires so that some respondents were in a position to assess a given risk for more than one technology.

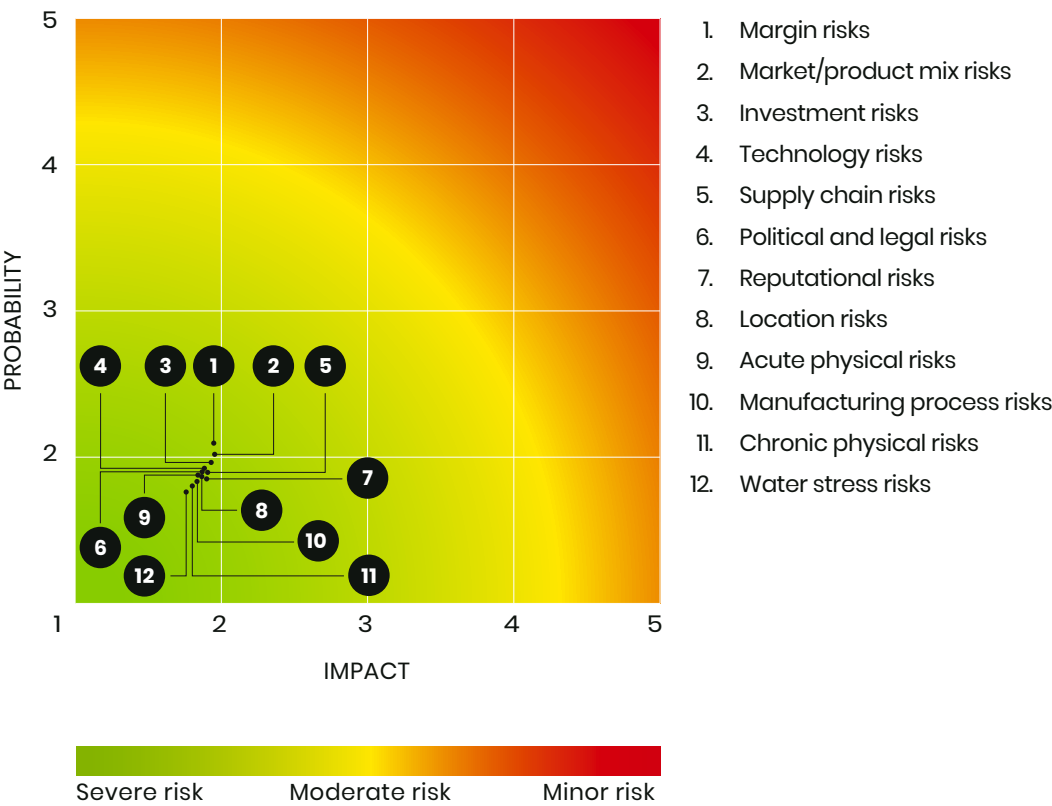
The mapping process is jointly organised by the corporate Environment and Compliance Departments and the results are presented to the Audit and Compliance Committee for validation and approval; the Audit and Compliance Committee in turn reports on its approval to the Board of Directors.

3 Based on their impact along three dimensions: economic, organisational and/or reputational.

|                       | 5 – Critical                                                                                                            | 4 – Severe                                                                                             | 3 – Medium                                                                                         | 2 – Light                                                                        | 1 – Very light                                                     |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------|
| Economic impact       | Very severe adverse impact on EBITDA. An adverse impact on P&L* of >5%.                                                 | A severe adverse impact on EBITDA. An adverse impact at CE of >3.5% but <5%.                           | A significant reduction in EBITDA guidance. An adverse impact at CE of >1.5% but <3.5%.            | A slight reduction in EBITDA guidance. An adverse impact at CE of >0% but <1.5%. | No change in existing EBITDA.                                      |
| Organisational impact | Materialisation of the risk requires intervention by the Board of Directors.                                            | Materialisation of the risk requires intervention by the CEO.                                          | Materialisation of the risk can be resolved at the corporate level.                                | Materialisation of the risk can be resolved at the division level.               | Materialisation of the risk can be addressed at the factory level. |
| Reputational impact   | Reputational damage stemming from several actions that have a severe impact on the company’s image and its share price. | Reputational damage stemming from several actions that impact the company’s image and its share price. | Occurrence of an event that is picked up by high-profile media and reaches the regulator/analysts. | Occurrence of an event that is picked up by the local media.                     | No impact.                                                         |

(\*) Statement of profit or loss

Climate risk map



The climate risk map can be viewed globally, by region, by technology, by region and technology and it estimates the impact, in euros, on EBITDA of the potential materialisation of each risk. In a new addition this year, for certain risks the map also displays all of the controls launched in each region and for each technology during the year, making it possible to visualise internal control delivery by factory with a breakdown by control, control owner and control evidence.

In response to demands from our stakeholders and in line with the 2025 Strategic Plan, in 2022, CIE Automotive updated and broadened its climate risk map, a process which involved a bigger number of its professionals. Specifically, in 2022, the company assessed 12 risks (five more than in 2021), gathering input from 145 professionals in total (62 more than the year before).

The climate risk map is integrated within CIE Automotive’s enterprise risk management (ERM) system, which follows ISO 31000 methodology, so as to provide reasonable assurance that all significant climate risks are duly identified, evaluated, prevented and continuously monitored. Those risks are approved at the board level and managed in keeping with defined risk appetite and tolerance thresholds.

The entire process is monitored via  
the internal management tool, SAP GRC

# Climate risks assessed in 2022

Below is a list of the main climate risks to which the group is exposed and which are evaluated in the course of drawing up its specific climate risk map, classified by the areas that are critical to the company.



**Transition risks**

Risks arising as an economy transitions to a low-carbon and climate-resistant model. These risks include political, legal, technology, market and reputational risks. Changes in local legislation, new international treaties (Paris Climate Agreement), limits on greenhouse gas emissions, emissions and carbon footprint regulations, among other developments, can increase compliance risks for the organisation, including by extension, the risk of reputational damage and sanctions, which could be monetary or related with the revocation of permits.

The company has reformulated its transition risks, in order to enhance their oversight and facilitate analysis of their impact, as follows:

- Political and regulatory risks
- Margin risks
- Investment risks
- Technology risks
- Market/product mix risks
- Supply chain risks
- Reputation risks
- Location risks
- Manufacturing process risks
- Water stress risks



**Physical risks**

Risks that affect the availability and supply of water and energy for manufacturing processes: extraction of raw materials, cleaning processes, etc. These risks are in turn categorised into:

- Water stress risks
- Chronic risks
- Acute risks

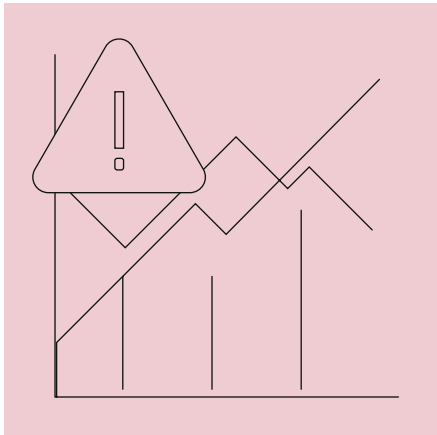
The assessment did not identify any climate risks with a medium or high probability of occurrence or medium or high impact in the event of materialisation.

Nevertheless, here we describe the three highest-scoring risks, the chronic and acute physical risks and the water stress risk.

Description and action plans main climate risks

Below are the main risks of the Climate Risk Map from the company with a probability of materializing within the horizon of the Strategic Plan, which would have an impact at an economic, organizational and/or reputational level.

Margin risks



Tier 1 and Tier 2 suppliers could see their costs come under pressure. During the initial phases of the deployment of more sustainable vehicles, end costs will trend higher. To maintain sales volumes, there is a risk that OEMs could put pressure parts suppliers to reduce their prices.

Action plan

CIE Automotive’s business model is highly effective in the face of these kinds of scenarios and risks. Customer diversification means it is not highly dependent on any one project or its renewal. To maintain that diversification, the freedom to choose which projects to invest in is key. This trend is therefore playing into one of CIE Automotive’s differential strengths.

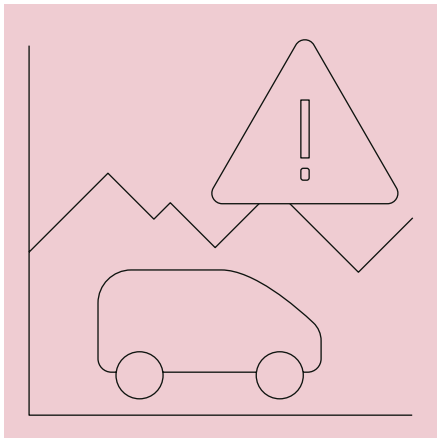
In parallel, the company is urging its sales teams to penetrate and build CIE Automotive’s presence at the new electric players, a thrust that is meeting with significant success and helping to further reinforce the company’s diversification and give it the flexibility to turn down projects that are not profitable.

Moreover, another of the company’s key strengths, its investment discipline, means that it analyses projects in meticulous detail, running sales volume sensitivity analysis, so that projects with lower volumes than initially promised do not have a definitive impact on returns.

Lastly, the company’s approach to sustainability and commitment to climate action is also setting it apart, as not all suppliers are offering that level of commitment or as detailed action plans as CIE Automotive.



Market/  
product mix risks



Risks inherent to the business and market shifts: Changes in the automotive market could lead to a shift in the product mix, specifically towards climate-neutral solutions, such as vehicle electrification.

Action plan

It is still too early to tell when the automotive sector will revisit pre-pandemic production and sales levels, all the more so considering the various market developments mentioned throughout this report and the fact that market changes are currently unfolding with such great speed.

The company plans to reinforce the flexibility of its model to adapt to unfolding and future customer needs and emerging trends. Product portfolio diversification will give it a unique ability to adapt relative to its competitors. A portfolio in which more than eight out of every 10 products are independent of a vehicle’s propulsion system and therefore not impacted by the sector electrification trend.

For the rest of its parts, the company is working from the technological and market standpoints to make the most of the opportunities emerging in the battery, engine/motor, power electronics and gearshift areas.

As for the risk associated with products for which there is no clear substitute in zero-emission cars, CIE Automotive plans to increase its presence in those that have a bigger role to play in the vehicle light-weighting trend (forged chassis and suspension parts) and in machined shafts and gears. It also wants to actively pursue business in technologies that customers are likely to outsource in order to focus on new challenges, such as connectivity, automated driving and the provision of embedded software solutions.

In parallel, the company will continue to focus on its innovation effort in these same areas which is expected to give the company a winning edge in the coming years, positioning it to take advantage of the opportunity to consolidate the resulting market.

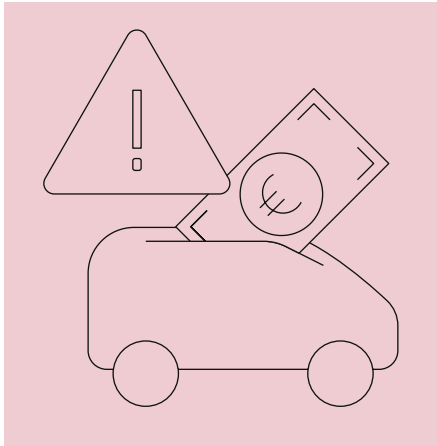
As a result, some technologies could lose share in the overall business mix, potentially intensifying competition for the remaining volumes and, by extension, driving a reduction in volumes or margins in certain products or technologies.

The transition towards a low-carbon economy will highlight the efforts companies like CIE Automotive have been making for years to introduce eco-design concepts from the earliest stages of product development and build circularity into all of their processes. What does look likely is that over a medium-term horizon the automotive companies stand to emerge stronger from the crisis to the extent they can adapt to the new scenario, foreseeably characterised by the following factors, on which CIE Automotive is already specifically working:

- Reduction of surplus capacity.
- Concentration processes: fewer players but companies that are larger, more diversified and more resilient in the face of future crises.
- Strategic alliances designed to share the investment needed to prepare for sector transformation.
- Greater financial control and discipline.
- Eco-efficiency and circularity.
- Commitment to mitigating environmental impacts.

CIE Automotive’s business model has already proven its resilience and counter-cyclical credentials in the face of numerous crises thanks to the combination of geographic, technological and customer diversification, framed by a decentralised management model and strict financial discipline. Lastly, in the shorter term, the company is currently focused on locking in access to the raw materials it needs, to which end it is reinforcing its GLOCAL (global management with local application) purchasing model, coupled with its multi-location footprint, to be close to the OEMs and not have to depend on global supply chains.

Investment  
risks



Risks associated with greater uncertainty regarding returns on investment: the changes needed to achieve carbon neutrality could spell higher investments in different volume and margin scenarios to those navigated to date. Those investments may make it possible

to process more sustainable materials, use more sustainable and climate-neutral sources of energy, devise more circular manufacturing processes or deliver parts with better eco-design and sustainability attributes.

Action plan

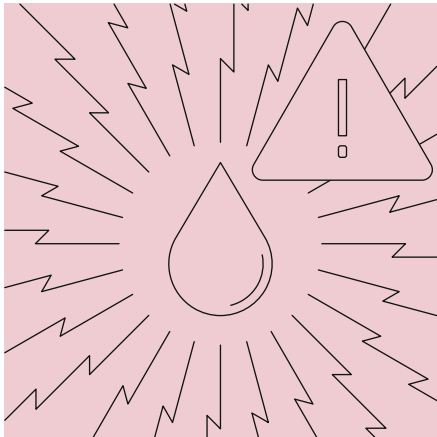
Manufacturing technology is what CIE Automotive does. That is why it is essential to monitor how it evolves, that being one of the most recurring and important tasks performed by each division. Thanks to that constant monitoring, the company sees a bright future for the technologies it is active in. In some of those technologies, the challenge lies with taking advantage of the growth opportunities being thrown up by emerging trends; in others, the key lies with maximising competitiveness by leveraging innovation, Industry 4.0 tools and the cost efficiency that sets the group apart. In sum, to turn the risk posed by new trends into an opportunity to attain leadership.

In all areas of the group, CIE Automotive implements cutting-edge technology into its facilities and management models with the aim of rendering its productive processes more efficient and responding to the automotive sector’s needs by embracing eco-efficiency, circularity and climate mitigation measures. Also as a result of that

monitoring, when designing its investment plans, the company contemplates the various trends that are shaping the automotive sector, such as emission standard requirements, new comfort-driven mobility concepts and vehicle electrification.

To fund those investments in R&D, to which the group earmarks around 2% of revenue each year, CIE Automotive has a number of different sources of financing at the regional, national and supranational levels. Moreover, the company hopes to avail of Next Generation EU funds to finance specific projects related with green transition and digital transformation, specifically including projects to develop new battery structure, fuel cell and range extender concepts and materials; new concepts and features related with the refashioning of car interiors, led by the CIE Comfort division; and certain Industry 4.0 projects.

Water stress  
risks



Risks that affect the availability of water for production processes, i.e., the possibility that, given the availability of water, there could be a shortage for manufacturing and auxiliary processes (cooling,

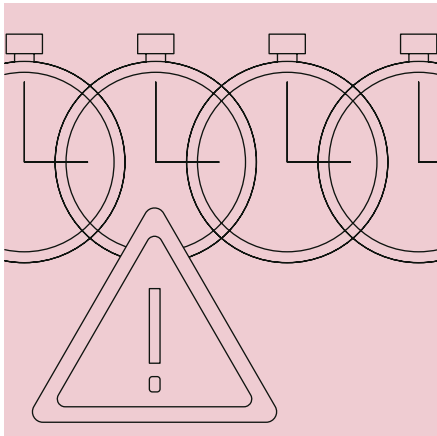
cleaning, etc.). Climate change in particularly vulnerable areas could lead to chronic water stress, impeding access to quality water.

Action plan

The company has analysed the situation across its various factories and at the water basins near their locations. In addition, in order to increase circularity, particularly with respect to the use of water, each factory has launched initiatives to reduce the use of water

and increase its reuse by installing filtering and treatment facilities, some of which have resulted in drastic improvements in circularity.

Chronic risks



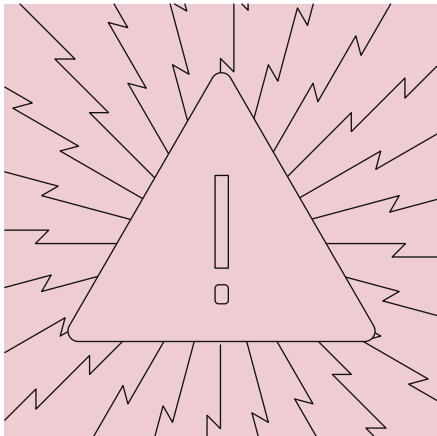
These are the risks of more gradual changes with long-lasting effects, such as global warming, rising sea levels, protracted heatwaves or droughts, loss of biodiversity and changes in land or soil productivity.

Action plan

CIE Automotive has set specific environmental targets to be met by each of its facilities and operating regions. Those targets are aligned with the United Nations 2030 Agenda and recent Spanish legislation on climate change and the energy transition (Law 7/2021, of 20 May 2021) and are based on the Global Reporting Initiative (GRI) standards.

In addition, in support of the Paris Agreement’s targets for curbing global warming, CIE Automotive belongs to Forética’s Climate Change Cluster, a platform whose mission is to get Spanish businesses to address the main global climate change trends and debates and become an authority on corporate environmental matters.

Acute risks



These risks arise as a result of extreme climate events (such as prolonged droughts or flooding).

Action plan

The risk of accidents is covered by the company’s civil liability insurance. In December 2019, the company began to specifically underwrite gradual pollution risk for certain factories in Spain, with a claims limit of €3 million. To reinforce the management of its environmental and safety risks, the company has embarked on a joint project with the technical experts from its insurance firms. Specifically, a series of risks are being evaluated and monitored in accordance with criteria established by the various participating companies with the idea of formulating plans for their elimination or at least mitigation.

More information in the “Risk management” section of the Consolidated Management Report for the year 2022

KEY 5

# We manage ethically and effectively

Excellence is the key to our profitability. Doing things well, framed by ethics and risk minimisation, makes us more credible to our customers and more attractive to investors, while making us trustworthy to our employees and suppliers.

Excellent corporate governance

Governance bodies

Values and ethics framework

Risk management

Advances in ESG management

We have a solid business model

We are being guided by a sustainable strategy

We perform well in complex environments

We collaborate with our stakeholders

We manage ethically and effectively

# Excellent corporate governance

**CIE Automotive has drawn deep from ethics principles to build its own body of rules and regulations to determine how its governing bodies work, how it engages with its stakeholders and which risk management mechanisms to use.**

The most significant of those rules and regulations are the Bylaws, the rules regulating the governing bodies, the Code of Professional Conduct, the Internal Securities Markets Code of Conduct and the Corporate Crime Prevention Manual. Those texts are complemented and implemented by the corporate policies approved by the Board of Directors that variously govern how the company operates and how it deals with its stakeholders.

### **Rules and regulation updates**

From time to time CIE Automotive reviews its rules and regulations in order to keep them aligned with the securities market regulator's requirements and recommendations, prevailing legislation and best practices in the corporate governance field.

In 2022, that framework was enriched by the upgrade and rollout of the company's criminal risk map in four new markets: Spain, France and Germany, in Europe, and India. That deployment, coupled with the annual map updates in the US, Mexico, Brazil, China and the Czech Republic, completes coverage of the countries that account for the bulk of the group's business.

In parallel, CIE Automotive revised the controls over its risk management system, an exercise in which it involved more people this year.

Both the rules and regulations formulated by the group and its Annual Corporate Governance Reports and Annual Director Remuneration Reports are published on the **corporate website**, in keeping with the technical and legal formalities and specifications stipulated by Spain's securities market regulator, the CNMV, in Circular 3/2015 (of 23 June 2015).

The company's governance framework

was enriched in 2022

by the **rollout of the company's criminal risk map**

**in four new markets: Spain, France, Germany and India**



## Membership of the Transparency, Integrity and Good Governance Cluster

CIE Automotive is a member of the Transparency, Integrity and Good Governance Cluster, a business platform coordinated by Forética in Spain with the aim of championing a sustainable corporate governance model and addressing a range of topics related with the management of ESG matters, providing information about key trends in the field and creating a venue for firms to engage and exchange know-how.

The Cluster's activities in 2022 were focused on working on the key enablers for integrating ESG aspects into organisations' governance and decision-making.

More specifically, it tackled important topics such as non-financial/sustainability reporting, sustainable finance and markets, ESG due diligence, sustainability in corporate governance and ESG risks, among others.

The Cluster's work programme for 2022 was articulated around three main themes, following up on matters related with business transparency, ethics and integrity:

- Analysing the significance of the latest regulatory developments in the area of sustainable corporate governance and ESG due diligence in value chains (the Corporate Sustainability Due Diligence Directive). A matter of increasing importance due to a rising number of ESG risks and a growing tendency towards systemic vulnerability.
- Addressing the main advances in the area of corporate non-financial information and sustainability reporting. The Sustainable Finance Disclosure Regulation (SFDR) and Corporate Sustainability Reporting Directive (CSRD) are clear examples of the importance of sustainability reporting for businesses and investors.
- Analysing the financial markets and their shift towards a sustainable model. This central topic addressed sustainable markets influenced by increasingly stringent ESG regulations; the growing relevance of ESG risks; and the importance of ESG inputs into investment decisions.





# Governance bodies

**CIE Automotive's most important governance bodies are the Annual General Meeting and the Board of Directors.**

## Annual General Meeting

The Annual General Meeting (AGM) is highest decision-making body at which CIE Automotive's shareholders exercise their influence. Its duties and powers are regulated in the Articles of Association and the AGM Regulations. As per those Regulations, shareholders of record within at least five days of the scheduled meeting date are entitled to attend the AGM. The members of the Board of Directors are obliged to attend the Meeting under article 10 of the AGM Regulations. The quorum for calling the AGM to order is that stipulated in article 196 of the Spanish Corporate Enterprises Act.

In 2022, the AGM took place on 28 April. It was organised as an in-person event for the first time since the onset of the pandemic and was attended by 336 shareholders, in person or via proxy, representing 72.22% of the company's share capital.

In order to ensure the attendees were duly identified and could exercise their rights as shareholders, in the run-up to the AGM, they were asked to register and record their requests for information or clarification; those requests were answered during the AGM.

**The AGM, held on 28 April,**  
**was organised as an in-person event for the first time**  
**since the onset of the pandemic** and was attended by  
336 shareholders representing 72.22%  
of the company's share capital

Resolutions ratified at the 2022 AGM

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>Approval of the separate financial statements and directors' report of CIE Automotive, S.A. and of the consolidated financial statements and directors' report for 2021.</li><li>Grant of discharge to the Board of Directors.</li><li>Approval of the proposed distribution of profit for 2021.</li><li>Examination and approval of the non-financial statement of the group comprising CIE Automotive S.A. and its subsidiaries for 2021.</li><li>Grant of authorisation to the Board of Directors for the derivative acquisition of own shares, directly or through group companies, in accordance with articles 146 and 509 of the Spanish Corporate Enterprises Act, and the reduction of share capital to cancel own shares, delegating powers for the execution thereof in the Board of Directors.</li><li>Approval of the maximum amount of remuneration payable to the directors in their capacity as such.</li><li>Establishing the number of Board members at fourteen and appointment of Mr. Iñigo Barea Egaña as proprietary director.</li><li>Ratification and appointment of Ms. Suman Mishra as proprietary director.</li></ul> | <ul style="list-style-type: none"><li>Ratification and appointment of Ms. Elena Orbegozo Laborde as independent director.</li><li>Ratification and appointment of Ms. María Eugenia Girón Dávila as independent director.</li><li>Appointment of Mr. Javier Fernández Alonso as proprietary director.</li><li>Extension of the appointment of the auditor for the separate and consolidated financial statements for the year ending 31 December 2022.</li><li>Appointment of the financial statement auditor of the company and its consolidated group for the years ending 31 December 2023, 31 December 2024 and 31 December 2025.</li><li>Amendment of articles 9 (Competences of the General Shareholders Meeting), 12 (Notice of meeting), 12 bis (Right of shareholders to receive information), 14 (Attendance and voting rights), 16 ter (Proxies and voting by post, electronically, or other means of remote communication) 17 (Venue and time of the General Meeting. Extending meetings) and 24 (Compensation for Board members) of the Articles of Association.</li><li>Amendment of articles 5 (Remit of the General Meeting), 5 bis (Issue of debt instruments and other securities), 7 (Notice of the meeting), 9 (Right to information prior to the General Shareholders' Meeting), 10 (Right to attend and vote), 14 (Representation and voting by post, electronically or by remote communication methods) and 15 (Meeting location) of the General Meeting Regulations.</li></ul> | <ul style="list-style-type: none"><li>Authorisation for the Board of Directors, or any of its members in its place, to increase share capital, in keeping with the terms and constraints stipulated in article 297.1.b) of the Spanish Corporate Enterprises Act, including the power to waive pre-emptive subscription rights, by up to 20% of the balance of share capital as of the date of the resolution, under the terms of article 506 of the Corporate Enterprises Act.</li><li>Authorisation for the Board of Directors, or any of its members in its place, to issue bonds convertible into new company shares and warrants (options to acquire new company shares); to set the criteria for determining the rules and forms of conversion; and empowerment of the Board of Directors to increase share capital by the amount necessary, and to waive pre-emptive subscription rights (from the date of admission of the company's shares to trading), albeit limited to no more than 20% of share capital as of the date of the resolution.</li><li>Advisory shareholder vote on the Annual Report on Director Remuneration at CIE Automotive, S.A.</li><li>Delegation of powers to execute the aforementioned resolutions.</li></ul> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

# Board of Directors

The Board of Directors is CIE Automotive’s highest governance body. It is currently made up of 14 members, including its non-executive chairman, one more than in 2021. Nine are proprietary directors, three are independent and two are executive. The three independent directors sit on the Appointments and Remuneration Committee, the Audit and Compliance Committee and the ESG Committee.

**BOARD DIVERSITY**

The company strives to ensure a diversity of abilities, skills, experiences, backgrounds, nationalities and gender on its Board of Directors.

As gleaned from the résumés provided on the next few pages, the directors are chosen for their expertise in a number of fields: finance, the automotive sector, ESG matters, strategy design, the future of mobility and the electric vehicle, multinational management, IT, digitalisation and data management, areas of great importance to the various disruptions affecting the industry.

As for gender diversity, at the end of 2022, there were five female directors compared to nine male directors, implying female representation of 35%, in line with the latest set of corporate governance recommendations issued by Spain’s securities market regulator, the CNMV, which is now calling for female boardroom representation of 40%. Thanks to its boardroom’s gender diversity, CIE Automotive joined the IBEX Gender Equality Index, the first stock index to track gender equality at Spanish companies, on 20 June 2022.

Twelve of the directors are Spanish nationals and two are Indian.

**BOARD RENEWAL**

Iñigo Barea Egaña, Javier Fernández Alonso and Abanti Sankaranarayanan joined the Board of Directors in 2022, while Santos Martínez-Conde Gutiérrez Barquín and Suman Mishra stepped down.

Following that reshuffle, the balance between independent and proprietary directors in the boardroom remains correlated to the breakdown between floating capital (in the hands of ordinary shareholders) and stable capital (shares held by significant shareholders).

**Iñigo Barea Egaña, Javier Fernández Alonso**  
and **Abanti Sankaranarayanan** joined  
the Board of Directors in 2022



HOW THE BOARD WORKS

The Board of Directors’ *modus operandi* is set down in the company’s Articles of Association and Board Regulations.

In 2022, the Board of Directors met on eight occasions and all the meetings were presided by its Chairman.

To optimise its efficiency, the Board of Directors organises its work through committees.

The Board of Directors  
met eight times,  
with all the meetings  
presided by its Chairman

Audit and Compliance Committee

Comprised of five members (three independent directors and two proprietary directors), this committee’s purview is to oversee the financial and non-financial reporting process and ensure the independence and effectiveness of the internal audit function. Its duties include revising the internal control and financial and non-financial risk management systems, selecting, appointing and replacing the auditor and taking receipt of information from the auditor, whose independence it must safeguard.

*This committee held five meetings in 2022.*

Appointments and Remuneration Committee

Made up of four directors (three independent and one proprietary), this committee is tasked, among other duties, with formulating and reviewing the criteria for selecting director candidates, evaluating the directors’ performance, proposing and monitoring the director remuneration system, in particular the amounts of their annual pay, and overseeing new director selection procedures.

*It met on three occasions in 2022.*

ESG Committee

This committee is made up of five members (three independent directors and two proprietary directors) and its mission is to push through CIE Automotive’s ESG strategy.

*It met on four occasions in 2022.*

Board of directors  
(as of 31 December 2022)

|                                     | Position                  | Class of director | Appointments and Remuneration Committee | Audit and Compliance Committee | ESG Committee |
|-------------------------------------|---------------------------|-------------------|-----------------------------------------|--------------------------------|---------------|
| Don Antonio María Pradera Jauregui  | Chairman                  | Proprietary       |                                         |                                |               |
| Don Fermín del Río Sanz de Acedo    | Vice-Chairman             | Executive         |                                         |                                |               |
| Don Jesús María Herrera Barandiaran | Chief Executive Officer   | Executive         |                                         |                                |               |
| Doña Arantza Estefanía Larrañaga    | Lead Independent Director | Independent       | Chairwoman                              | Member                         | Member        |
| Doña María Eugenia Girón Dávila     | Director                  | Independent       | Member                                  | Member                         | Chairwoman    |
| Doña Elena María Orbegozo Laborde   | Director                  | Independent       | Member                                  | Chairwoman                     | Member        |
| Don Íñigo Barea Egaña               | Director                  | Proprietary       |                                         |                                | Member        |
| Don Javier Fernández Alonso         | Director                  | Proprietary       |                                         | Member                         |               |
| Don Jacobo Llanza Figueroa          | Director                  | Proprietary       |                                         |                                |               |
| Doña Abanti Sankaranarayanan        | Director                  | Proprietary       |                                         |                                |               |
| Don Francisco José Riberas Mera     | Director                  | Proprietary       | Member                                  |                                |               |
| Don Juan María Riberas Mera         | Director                  | Proprietary       |                                         |                                |               |
| Doña María Teresa Salegui Arbizu    | Director                  | Proprietary       |                                         | Member                         | Member        |
| Don Shriprakash Shukla              | Director                  | Proprietary       |                                         |                                |               |

Secretary, non-member: Don José Ramón Berecibar Mutiozabal

DIRECTOR RESUMES



**Antonio María Pradera  
Jauregui**  
CHAIRMAN  
(PROPRIETARY)

A road engineering graduate from Madrid’s Polytechnic University, Mr. Pradera began his career in 1979 as a director at Banco Bilbao, where he worked until 1985. In 1988, he was named executive director of Nerisa, where he stayed until 1993, when he moved to SEAT as director of strategy. He played an important role in the creation of INSSEC in 1995, where he served as chief executive until 2010. He was appointed Executive Chairman of CIE Automotive in 2002, working in the strategy and financial design departments; he also chaired Global Dominion Access, S.A. Since May 2015, he has been a director at Tubacex and since June 2015, a director at Corporación Financiera Alba. On 31 December 2017, he stepped down from his executive duties at CIE Automotive, thus reinforcing the company’s corporate governance practices.



**Fermín del Río Sanz de  
Acedo**  
VICE-CHAIRMAN  
(EXECUTIVE)

A business studies graduate (San Sebastian). He began his career as tax advisor in 1975 and is the founder of Norgestión (a consultancy specialised in mergers & acquisitions, tax law and finance). He provided services to this firm until 2008. He has also headed up ADEGI (the Guipuzcoa business association) and been a member of CONFEBASK, the Basque committee of business owner associations. He has chaired Autometal S.A. and sat on the boards of companies from a range of manufacturing sectors, including Fegemu S.A., Viveros San Antón, S.A. and Global Dominion Access S.A. He is currently a director at Alai Extrusión, S.A. and Basquevolt.



**Jesús María Herrera  
Barandiaran**  
CHIEF EXECUTIVE OFFICER  
(EXECUTIVE)

A graduate of business studies and economics from the Basque University, Mr. Herrera also holds a Master of International Expansion (from Euroforum). He joined CIE Automotive as CFO in 1991, also heading up the HR function for CIE Orbelan. In 1995, he was named deputy manager and in 1998 he was promoted to general manager. In 2000, he took over management of CIE Brazil and in 2002, of CIE Plasfil. That same year he was named global director of CIE Plástico, a position he held until 2005, when he took up the general manager spot at CIE America. He has been the CEO of Autometal S.A. since 2010 and in 2011 he was named COO for the entire group; just a year later he would be named general manager of CIE Automotive. Lastly, in 2013, the Board of Directors appointed him CEO of CIE Automotive. He is also a director at Global Dominion Access, S.A.





**Arantza Estefanía  
Larrañaga**  
LEAD INDEPENDENT DIRECTOR  
(INDEPENDENT)

Arantxa graduated in law with highest honours from Deusto University. She boasts over 30 years’ experience in corporate law, including her stint as managing partner at the law firm, Uría Menéndez Abogados S.L.P., in Bilbao, from when it was set up in 2000 until January 2019. At Uría, Arantxa sat on the board, on the professional practice management committee and on the criminal liability prevention committee. In recent years she has built up a renowned practice specialising in compliance, white collar crime prevention, and environmental and safety law. She has been named Best Lawyer in Spain many times, a leading lawyer in arbitration and mediation consecutively between 2013 and 2019 and lawyer of the year in procedural law. She was appointed independent director of Repsol on 31 May 2019. She has been serving on the oil company’s sustainability committee since May 2019 and on its remuneration committee since November 2021. Also, since July 2021, she has been service as director and secretary of Repsol Industrial Transformation, S.L. Sociedad Unipersonal and Repsol Customer Centric, S.L. Sociedad Unipersonal. Elsewhere, she presides the Basque regional government’s economic and social department’s economic committee (since December 2019) and is the board secretary at Bilbao Exhibition Centre S.A. Since 8 May 2020, she has been serving on the board of Global Dominion Access, S.A. as independent director, having chaired that company’s audit and compliance committee until 12 May 2021. Since then she has been a member of that committee and also of its sustainability committee.



**María Eugenia Girón  
Dávila**  
DIRECTOR  
(INDEPENDENT)

María is an industrial engineer (ICAI) and holds an MBA from Harvard Business School. She has held executive duties at Loewe and worked as CEO of Carrera y Carrera, where she spearheaded the management buy-in (MBI). She is the Vice Chair of the International Board of Trustees of Oceana, member of the Boards of Trustees of Spain’s Royal Tapestry Factory and of IE University and Chair of Spain’s Diversity Foundation. She is a jury member of the European Innovation Council Accelerator backed by the European Commission and its Green Deal. She supports technology start-ups from the Rising Tide Europe and Go Beyond Investments platforms. She is also the Co-Chair of Women Corporate Directors and a member of the board of ICA, the institute of female directors. She is currently the Executive Director of the IE University Premium & Prestige Observatory and a member of the advisory board for enterprises from the luxury goods sector.



**Elena María Orbegoza  
Laborde**  
DIRECTOR  
(INDEPENDENT)

Elena holds a bachelor’s degree in mathematics. She has largely built her career at a multinational provider of technology services, with a focus on information management and big data. Elena is responsible for high-potential accounts and has a proven track record in the IT sector, where she has a career dating back more than three decades. She is an ambitious and dynamic manager, committed to continuous business improvement, focused on driving earnings growth and on rationalising commercial operations. Devoted to earnings optimisation.



**Íñigo Barea Egaña**  
DIRECTOR  
(PROPRIETARY)



**Javier Fernández Alonso**  
DIRECTOR  
(PROPRIETARY)



**Jacobo Llanza Figueroa**  
DIRECTOR  
(PROPRIETARY)

An aeronautical engineer from Madrid’s Polytechnic University (UPM) and École Nationale Supérieure de l’Aéronautique et de l’Espace, Íñigo also holds an MBA from IESE Business School. He began his career at Airbus where he specialised in the integration of propulsion systems. He later joined the strategic consultancy, A.T. Kearney, where he worked on a range of international projects with a focus on unlocking operational efficiencies. He is currently the head of logistics operations in Spain for Just Eat Takeaway.

Javier graduated from Deusto University in business studies (finance stream) with the highest honours. In 2000, he began his career in investment banking and mergers & acquisitions at Goldman Sachs in London, going on to join ABN AMRO in Madrid in 2002. In 2006, he moved to the investment department at Corporación Financiera Alba, where he was named deputy head of investments in 2007, department head in 2012 and general manager in 2020, a position he continues to hold today. On behalf of Alba, he currently sits on the boards of CIE Automotive, Ebro Foods, Profand Fishing Holding, Viscofan and the investment vehicles, Rioja and Rioja Acquisition (Naturgy). In the past he has served on the boards of Acerinox, ACS, Dragados, ACS Servicios y Concesiones, Euskaltel, Parques Reunidos and Clínica Baviera. He has also been a member of the investment committee of Artá Capital since 2008; he sits on that firm’s board and on the boards of several of its private equity vehicles.

A graduate of economic and business science from the University of Paris. Jacobo built his career in investment banking, starting out in 1989 in a number of positions at Banque Indosuez and Bancapital, before going on to create and run AB Asesores Moneda in 1992, an AB Asesores group company. Following the sale of this firm to Morgan Stanley in 1999, he joined Dresdner Kleinwort Wasserstein, where he worked as managing director of equities & derivatives for Latam, Eastern Europe, Africa and the Middle East. In 2002, he joined Alantra (formerly N+1), where he is currently a Managing Partner, as well as CEO of Alantra Asset Management.



**Francisco José Riberas Mera**  
DIRECTOR  
(PROPRIETARY)

Francisco J. Riberas was born in Madrid on 1 June 1964. A dual law (1987) and business studies graduate (1988) from Universidad Pontificia de Comillas (ICADE | E-3) of Madrid. He began his career in a number of different positions within Grupo Gonvarri, including director of corporate development and, later, CEO. He set up Gestamp in 1997 since which time he has been that firm’s Executive Chairman, forging the group it is today. He currently sits on the boards of Telefónica, CIE Automotive and Wallbox. He also sits on the boards of other Gestamp companies and investees of the family holding company, Acek, including Grupo Gonvarri, Acek Energías Renovables, Inmobiliaria Acek and Sideacero. Francisco presides SERNAUTO, Spain’s association of automotive equipment and components manufacturers, the Spain-China Council Foundation, the Spain-China Business Advisory Board and the Endeavor Foundation in Spain. Lastly, he presided the IEF (acronym in Spanish for the Family Business Institute) between May 2018 and June 2020.



**Juan María Riberas Mera**  
DIRECTOR  
(PROPRIETARY)

Jon Riberas was born in Madrid in 1968. A dual law (1991) and business studies graduate (1992) from Universidad Pontificia de Comillas (ICADE | E-3). He began his career at Grupo Gonvarri in 1992 in the business development area, a group where he later assumed the role of CEO. In 2005, he backed the creation of ACEK Renewables, a player in the renewable energy business with a unique business model. In 2010, he was named Executive Chair of Gonvarri Industries and Co-Chair of Corporación ACEK, the family holding company. In addition to those positions, he is the Executive Chair of GRI Renewable Industries, Vice-Chairman of Gestamp and a member of the board of Global Dominion Access, S.A. Jon is a trustee at the Juan XXIII Foundation, an NGO set up to improving the quality of living of adults with intellectual disabilities and help integrate them into society.



**Abanti Sankaranarayanan**  
DIRECTOR  
(PROPRIETARY)

Abanti Sankaranarayanan, leads Group Public Affairs (India & international), Group Sustainability and Group Risk & Economist functions at Mahindra and Mahindra Ltd. She is also a member of the Group Executive Board. Prior to joining Mahindra, she was Head of the Strategy and Corporate Affairs function at Diageo India and a member of its Executive Committee. Prior to Diageo, Abanti served as a member of the Tata Administrative Service (TAS) where she held key roles managing some of the best-known consumer brands of the Tata Group in India, United Kingdom and the United States. Abanti’s contribution to the business have been recognized by Fortune India (The Most Powerful Women in Business; 2012, 2014, 2015 and 2016), IMPACT (50 Most Influential Women in Media, Marketing and Advertising; 2014, 2015, 2016 and 2017), India Today (India’s 25 Most Influential Women, 2013) and Fast Company, New York (100 Most Creative People in Business, 2012). Abanti is an Economics Graduate from St. Stephen’s College, Delhi and an MBA from Indian Institute of Management (IIM), Ahmedabad.



**María Teresa Salegui Arbizu**  
DIRECTOR  
(PROPRIETARY)

A graduate of economic and business science from Deusto University. Ms. Salegui began her career at the transport firm La Guipuzcoana (1988-2002), where she worked as general manager, a position she also held at DHL Express Iberia (2002-2004). She currently presides Addvalia Capital and Perth Espacio y Orden and sits on the boards of the following companies: Baztango, F&F Inversiones and BAS.



**Shriprakash Shukla**  
DIRECTOR  
(PROPRIETARY)

Mr. Shukla graduated in technology from the Indian Institute of Technology, BHU, Varanasi and holds an MBA from the Indian Institute of Management, Ahmedabad. He brings more than 42 years’ experience managing large enterprises in the consumer goods and manufacturing industries. He sits on the boards of several Mahindra Group companies in the aerospace, defence, farming and parts industries in India and the UAE. He used to head up brand management for the Mahindra Group. He is also a member of the India CEO Forum with several countries, including Spain, France, Germany and Israel. He chairs Mahindra CIE Automotive, Ltd.

Every three years,  
the Board engages  
an independent expert  
to help it assess  
director performance

DIRECTOR PERFORMANCE EVALUATION

The independent third party, Evaluación de Consejos S.L. (EdC), duly designated by the company's Appointments and Remuneration Committee, assessed the directors' performance following generally accepted guidelines and methodologies, as recommended in the corporate governance principles applicable to listed Spanish companies, specifically Recommendation #36 of the CNMV's Code of Good Governance and the contents of its Technical Guide 1/2019 on nomination and remuneration committees.

- **Review of relevant documentation:** corporate policies published by CIE Automotive on its website, samples of board meeting call notices and minutes, Annual Corporate Governance Report, board and committee regulations, Report on Director Remuneration and other documents in the public domain.
- **Formulation of a questionnaire** for the directors to fill in, tailored for CIE Automotive's strategy and objectives.
- **Deeper dive into the opinions expressed by the directors in their questionnaires** by means of interviews designed to expound on the written responses received and capture more qualitative observations and nuance.

Framed by the company's strategy and objectives, as well as the CNMV's recommendations on director performance assessment, the priority topics for that in-depth analysis were:

The quality and efficiency of the functioning of the Board

Boardroom composition

The composition and functioning of the Board committees

ESG aspects

Communication policy

Succession planning

The performance of the Chairman and CEO

The performance and contribution of each director

Other aspects

The aggregate quantitative results derived from the questionnaire responses indicate high levels of satisfaction with the Board's functioning. The data specifically reveal satisfaction with the changes made to the Board.

The aggregate assessment of room for improvement across all areas analysed was 1.36 (1 indicating marginal room for improvement and 4 indicating maximum room for improvement). EdC's experience with similar companies suggests a benchmark average score ranging between 1.8 and 2.2.

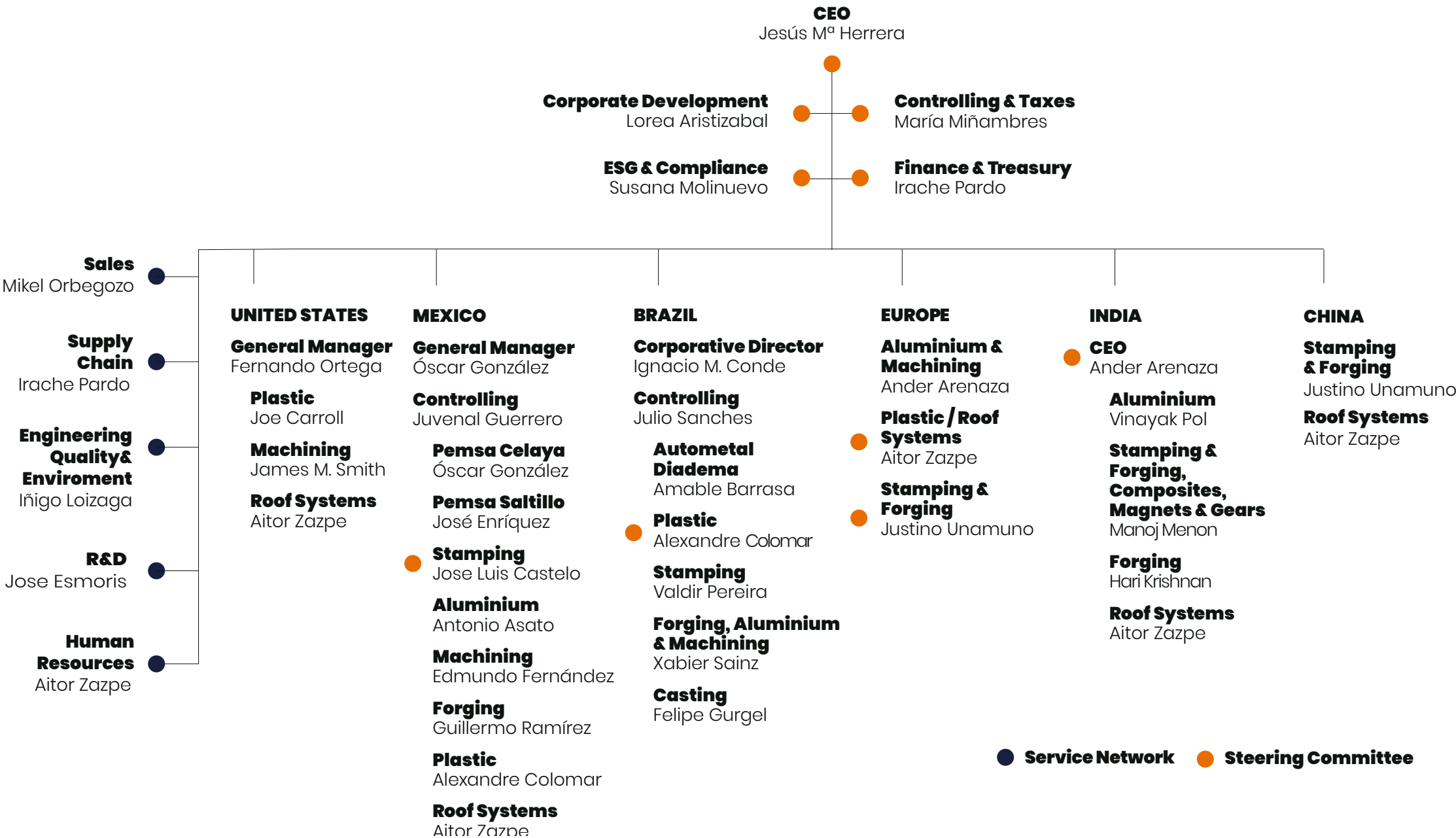
The individual areas where the directors flagged relatively more room for improvement, albeit at much lower readings than are customary for comparable companies, were:

- **Succession planning**
- **Communication policy**

The company has since established the corresponding action plan, spearheaded by the Appointments and Remuneration Committee, with a view to eking out further improvements

Management team

The management team directly oversees management of the Business Units and coordination with the Corporate Areas with authority across all of CIE Automotive, including the Network Services. There is an Executive Committee which meets periodically and is made up of the heads of the various Business Units and Corporate Areas.





# Remuneration policy

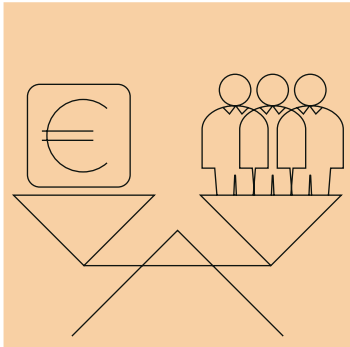
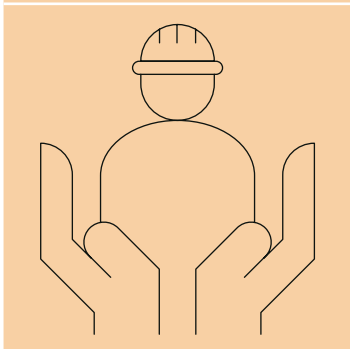
Remuneration is tailored for directors' dedication and duties

CIE Automotive's *Director Remuneration Policy* is designed to ensure that its directors' remuneration is proportionate to the dedication and responsibilities assumed, in keeping with compensation levels at comparable companies in Spain and abroad, and aligned with the long-term interests of the shareholders as a whole.

The prevailing Director Remuneration Policy was approved at the Annual General Meeting and is effective until 2023. It is available for public consultation on the area of the corporate website dedicated to investors and shareholders and clearly sets out the amounts paid to each member of the Board of Directors and the underlying procedures.

Any changes to the current policy would have to be approved by the company's shareholders.

## Key principles of the remuneration policy

|                                                                                       |                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   | Remunerating directors proportionately for their dedication and the responsibilities they assume, in keeping with the compensation paid by comparable companies in terms of market capitalisation, size, ownership structure and international presence. |
|  | Ensuring their remuneration makes a direct contribution to delivery of CIE Automotive's strategic objectives.                                                                                                                                            |
|  | Ensuring the ability to attract, motivate and retain the best professionals.                                                                                                                                                                             |

Director remuneration

Of the non-executive directors, only the Chairman and the independent directors receive fixed annual stipends on account of their specific dedication to the company. They do not receive bonuses.

The full-time executive directors’ remuneration regime is similar to that of the company’s executives. Their remuneration comprises: fixed remuneration, a short-term, results-based bonus and, in the case of the CEO, a long-term bonus, conditional upon staying in the post for 10 years. The executive directors may also receive in-kind remuneration in the form of use of a company car.

The remuneration earned by the executive directors varies along with their responsibilities and the specific characteristics of the duties they perform and it is reviewed annually by the Board of Directors at the recommendation of the Appointments and Remuneration Committee.

It is up to the Board of Directors, at the recommendation of the Appointments and Remuneration Committee (based on prior verification of attainment of the established targets), to determine the level of delivery of the short-term bonuses and their amount.

The executive directors’ remuneration may be topped up by health and life insurance, in line with market practice at comparable companies in terms of market capitalisation, size, ownership structure and international presence.

The company has not made any contributions, and is not presently committed to making any contributions, to any long-term retirement or savings plans on behalf of any of its directors.

For further details, refer to the notes headed *Employee benefits expense and Related-party transactions* in the group’s consolidated financial statements for the year ended 31 December 2022 and to the 2022 Annual Director Remuneration Report and the **Remuneration Policy** itself, all of which are published on the corporate website:

<https://www.cieautomotive.com/web/investors-website>

The full-time executive directors’ remuneration regime is similar to that of the company’s executives

| DIRECTOR AND KEY MANAGEMENT REMUNERATION |                     |     |                        |       |                        |
|------------------------------------------|---------------------|-----|------------------------|-------|------------------------|
| 2021                                     | Total no. of people | Men | Average remuneration € | Women | Average remuneration € |
| Directors*                               | 6                   | 5   | 2,237,551              | 1     | 80,000                 |
| Senior Management                        | 9                   | 5   | 968,239                | 4     | 327,606                |
| 2022                                     | Total no. of people | Men | Average remuneration € | Women | Average remuneration € |
| Directors*                               | 6                   | 3   | 2,751,906              | 3     | 100,000                |
| Senior Management                        | 9                   | 5   | 1,607,112              | 4     | 480,214                |

(\*) Directors receiving remuneration: two executive directors, three independent directors and the Chairman

# Values and ethics framework

CIE Automotive’s actions are guided by its corporate values, which underpin the body of internal rules put in place to ensure that its members behave ethically and are in turn complemented by compliance oversight and breach remedy mechanisms.

## Mission, Vision and Values

### Mission

We are a committed team with an automotive story that has been growing steadily for more than 25 years.

- **We are a global and multi-technology supplier**
  - Four continents
  - Seven technologies
- **We create value for all of our stakeholders**
- **We guarantee quality and service**
- **As a team, we join in and innovate**
  - Every person is an entrepreneur
  - We are proud to belong here
- **We care for our planet**
  - We help improve our surroundings
  - We minimise our environmental impact

### Vision

To provide the best solutions for the mobility of tomorrow while being:

- **Climate neutral:**
  - Maximum resource circularity
  - Zero net emissions
- **Value chain drivers:**
  - End-to-end approach
  - Commitment to local economies
- **A benchmark for society:**
  - Guaranteeing everyone’s ethical conduct, health and safety
  - Listening, communicating and acting
- **Excellent in management:**
  - Transparency and integrity
  - Value creation

### Values

- **Committed to a job well done**
- **Innovation as the response to any challenge**
- **Focused on people, their families and their surroundings**
- **Diversity, equality and inclusion**
- **Sustainable and profitable growth**
- **Ethical and honest conduct**
- **Self-criticism and recognition of others**
- **Champions of climate action**
- **Compliance with the law**

# Code of Professional Conduct

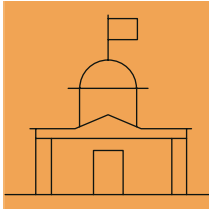
CIE Automotive has established a rulebook to guide the members of the organisation: the Code of Professional Conduct. All employees are required to familiarise themselves with and abide by it. The group also encourages its business partners (joint venturers, suppliers, customers, contractors and other partners) to align their conduct with the Code and apply equivalent standards of ethics.

The Code itself contemplates compliance monitoring and breach remedy mechanisms. The Board of Director's ESG Committee is responsible for supervising due compliance with the Code of Professional Conduct. Any members of the organisation who breach the Code are subject to the penalties contemplated in applicable legislation.

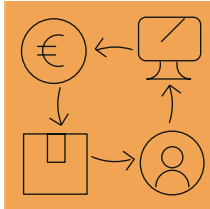
## CIE Automotive's rules of conduct



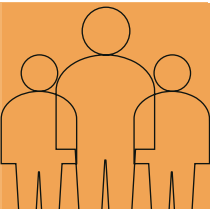
Ethical and lawful conduct.



Ethical relations with authorities and third parties.



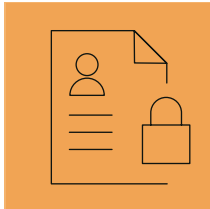
Adequate use of firm resources and assets.



Respect for people and society.



Transparency, integrity and confidentiality.



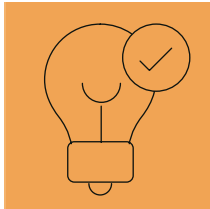
Data protection.



Workplace health and safety.



Compliance with tax obligations and proper use of public funds.



Respect for intellectual and industrial property rights.

## Whistle-blowing channel

CIE Automotive has set up a procedure for managing notifications and enquiries with respect to Code of Professional Conduct breaches or anomalies.

All members of the organisation and any of its stakeholder groups may use to it make enquiries or notify unusual activity or breaches of the rules set down in the Code of Professional Conduct using the following channels:

Whistle-blowing channel e-mail inbox:  
**[whistleblowerchannel@cieautomotive.com](mailto:whistleblowerchannel@cieautomotive.com)**

Postal correspondence addressed to the Compliance Department:  
**Alameda de Mazarredo 69, 8º,  
48009 Bilbao (Bizkaia), Spain.**

Information and communication channel on the  
**Intranet and on the corporate website**



The Code of Professional Conduct provides for the submission of enquiries or notifications anonymously.

The Compliance Department is tasked with handling and analysing any such notifications and enquiries in a confidential manner. The data of the individuals involved are managed in keeping with prevailing data protection regulations in the country in question.

In 2022, the company received 35 complaints through its whistle-blowing channel, 10 more than in 2021. Those complaints were related with:

- Workplace harassment (13): inappropriate attitudes on the part of managers vis-à-vis factory workers.
- People management with respect to work scheduling for everyday factory work purposes (nine complaints).
- Fraud and corruption (five): malpractice at several factories by Procurement Department staff and managers who breached CIE Automotive's general purchasing terms for their own benefit. Although the amounts involved were not material and the scale of the contracts with the suppliers in question did not have a material impact on earnings at the factories involved, the events harmed the group's image and violated its ethics commitment.
- Sexual harassment (three): inappropriate attitudes on the part of managers vis-à-vis factory workers.
- Business management (two): related with the company's dealings with its stakeholders.
- Breach of the Code of Professional Conduct (two): failure on the part of certain employees to uphold the rules of conduct.
- Discrimination (one complaint): failure to guarantee equal opportunities.

In 2021, the complaints were related with fraud and corruption (eight), workplace harassment (five), business management (five), people management - work scheduling (three), discrimination (two) and breach of rules of conduct (two).

In all of the cases reported in 2022 and notified to the ESG Committee, the opportune actions were taken to analyse, monitor and remedy or close the cases.

Those actions included the firing of two employees (one who participated in one of the fraud and corruption cases reported, and the other who was party to one of the reported cases of sexual harassment) and intervention by the corresponding executive and HR professionals to address the instances of workplace and sexual harassment and discrimination reported and prevent their recurrence via enhanced education on the company's values and Code of Professional Conduct rules.

Every case reported through  
the whistle-blower channel  
is investigated, monitored and ruled on



# Corporate policies

The ethics framework is implemented by means of a series of corporate policies which are drawn up by the corresponding departments. Those policies are binding upon all members of the organisation. CIE Automotive's corporate policies were approved by the Board of Directors for the first time in December 2015 and most of them were revised, updated and re-approved between 2019 and February 2021.

The Compliance Department is responsible for overseeing the correct deployment and implementation of all of the group's corporate policies.

|                                                                 |
|-----------------------------------------------------------------|
| <b>ESG policies</b>                                             |
| ESG                                                             |
| Procurement                                                     |
| Supplier ESG commitment                                         |
| Human rights                                                    |
| Anti-corruption and anti-fraud                                  |
| Community work                                                  |
| <b>Governance policies</b>                                      |
| Internal Control over Financial Reporting (ICFR)                |
| Risk control and management                                     |
| Corporate governance                                            |
| Director remuneration                                           |
| Tax policy                                                      |
| Reporting to and communicating with shareholders and the market |
| Shareholder remuneration policy                                 |
| Director selection and board diversity policy                   |
| Policy for engaging and interacting with the account auditor    |
| Compliance and criminal risk prevention                         |

The Compliance Department is responsible for overseeing the correct deployment and implementation of all of the group's corporate policies



# Anti-corruption and bribery effort

CIE Automotive is committed to combatting corruption in all its forms, including extortion and bribery, and to developing specific and exemplary policies in this arena. That commitment is tangible in its endorsement of the ten principles enshrined in the United Nations Global Compact.

In addition to the Code of Professional Conduct, whose rules include the obligation to tackle fraud and corruption, the company has an official **Anti-Corruption and Anti-Fraud Policy** which stipulates that dealings with public officials and authorities must be governed by the principles of transparency, integrity, objectivity, impartiality and lawfulness.

The company is politically neutral and does not finance, either directly or indirectly, political parties or their representatives or candidates, either in Spain or abroad.

One of the Internal Audit Department's duties is to oversee that the group companies are operating lawfully and in keeping with the defined corporate values.

As was the case in 2021, no public legal cases were brought against the organisation or its employees in relation with corruption in 2022.

## Measures to combat money laundering

The group introduced its Corporate Crime Prevention Model in 2015 and updated it in October 2019 to introduce a Support Unit with independent intervention and control powers within the organisation, whose mandate is to oversee compliance therewith. The company leverages that model to articulate its effort to thwart money laundering, as well as providing training on the Code of Professional Conduct and application of the various corporate policies.

In order to prevent or minimise the probability of occurrence of inappropriate or illicit conduct and ensure that any such conduct is brought to a halt, if detected, and accountability duly sought, in 2021, CIE Automotive drew up a **Compliance and Criminal Risk Prevention Policy**.

## Measures to prevent corruption and bribery

In 2022, it extended the criminal risk map to Spain, France and Germany, in Europe, and to India, and completed the annual updates of its risk maps in the US, Mexico, Brazil, China and the Czech Republic, thus completing coverage of the countries that account for the bulk of the group's business activities.

Each country has its own local Corporate Crime Prevention Manual, which is aligned with the corporate version. The Mexico-specific Corporate Crime Prevention Manual was also updated in 2022.

Every time the criminal risk map is introduced to a new market, specific training is provided to brief employees about the company's policies and procedures and remind the factories about applicable local legislation.

The crime prevention model  
was introduced in four new countries in 2022

# Human rights protection

CIE Automotive defends the universal rights set down in the United Nations Global Compact, which the company endorsed in 2015.

That commitment has translated into the *Human Rights Policy*, through which it formally undertakes to respect those universal rights in everything it does, applying the policy not only to its employees but also its customers, suppliers and the communities surrounding its facilities and any of their indigenous peoples.

To that end it formally repudiates child labour, compulsory labour and workplace discrimination; fosters respect for the freedom of association and right to collective bargaining; and complies with prevailing legislation in all its business markets, framed by the internationally recognised human rights and its own Human Rights Policy.

The Human Rights Policy complies with the provisions contained in the International Labour Organisation’s fundamental conventions on the freedom of association and the right to collective bargaining.

Note that the company did not receive any complaints related with human rights violations, understood as breaches of the right to decent work and a living wage, in keeping with the United Nations Declaration, in either 2022 or 2021.



**There were no complaints of human rights violations, understood as breaches of the right to decent work and a living wage**

# Risk management

## Enterprise risk management system

CIE Automotive’s enterprise risk management (ERM) system is designed to reduce to tolerable levels the risks that, were they to materialise, could jeopardise delivery of its strategic targets. The ERM, as set down in the corporate Risk Management and Control Policy, follows ISO 31000 methodology and is the responsibility of the Board of Directors, which delegates oversight of its correct implementation and functioning in the Audit and Compliance Committee.

CIE Automotive’s EGM provides it with reasonable assurance that all significant risks – strategic, operational, financial/reporting (refer to the *Internal Control over Financial Reporting (ICFR) Policy*) and non-financial (ESG and compliance) risks – are prevented, identified, evaluated and monitored continuously. Those risks are approved at the board level and managed in keeping with defined risk appetite and tolerance thresholds.

Underpinned by strong and sustained commitment on the part of the Company’s senior executives and management team, coupled with robust strategic planning, CIE Automotive aims to create a controlled risk environment in which risks are actively managed; the premise is that adequate risk management will create value and give rise to new opportunities.

### Enterprise risk management system – principles



Creation of a constructive vision of the concept of risk.



Committed and competent risk management professionals.



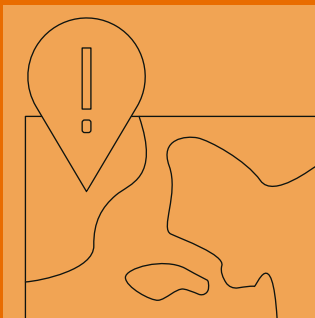
Use of a shared language.



Transparent communication throughout the entire organisation.



The ERM system ensures that all risks are duly **prevented, identified, assessed and strictly controlled**



RISK MAPPING

Procedure and scope

Each year, the company’s senior executives and management team are tasked with evaluating the risks identified in the ERM and drawing up the risk map for the entire organisation, classifying those risks into three categories – irrelevant, low risk or high risk – based on a dual assessment:

- 1 From the standpoint of residual risk: considering the controls already in place at CIE Automotive in order to mitigate the potential impact of their materialisation
- 2 Based on the probability of occurrence (past and future):

|                               | 5 – Very high                                                                               | 4 – High                                                                             | 3 – Medium                                                                        | 2 – Low                                                                            | 1 – Very low                                                                             |
|-------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
|                               | > 80%                                                                                       | 61% – 80%                                                                            | 31% – 60%                                                                         | 10-30%                                                                             | <10%                                                                                     |
| Materialised in the past      | Risk materialised over 5 times in last 2 years.                                             | Risk materialised over 5 times in last 5 years.                                      | Risk materialised over 5 times in last 10 years.                                  | Risk materialised between 1 and 4 times in last 10 years.                          | Risk that has not materialised or at least not for over 10 years.                        |
| Materialisation in the future | Materialisation of the risk would affect the organisation imminently (in the current year). | Materialisation of the risk would affect the organisation within a year (next year). | Materialisation of the risk would affect the organisation within two years’ time. | Materialisation of the risk would affect the organisation within five years’ time. | Materialisation of the risk would affect the organisation in more than five years’ time. |

A total of 326 people participated in drawing up this general risk map, 93, or 40%, more than in 2021.

All of the individuals who participated responded considering the impact of each risk factor over a time horizon to 2025, except for climate risk where the time horizon runs to 2050, in respect of their technical or geographic expertise, which means that some of them may have assessed a given risk factor for more than one region and more than one type of technology.

The process is coordinated by the Compliance Department which presents the results of this annual exercise to the Audit and Compliance Committee for validation and approval; the Audit and Compliance Committee in turn reports its approval to the Board of Directors.

As in prior years, the result is a risk map that is presented top down, by region, by technology and by region and technology. It estimates, in euros, the impact on EBITDA of the potential materialisation of each risk, according to the defined parameters, and the trend in the key risk factors over the past two years in all of the foregoing categories. The map also displays all of the controls launched in each region and for each technology during the year, making it possible to visualise internal control delivery by factory with a breakdown by control, control owner and control evidence.

The entire process is monitored via the internal management tool, SAP GRC.

3 Based on their impact along three dimensions: economic, organisational and/or reputational.

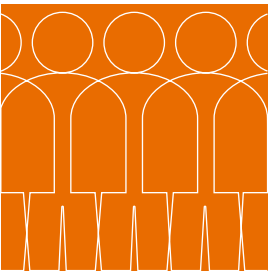
|                       | 5 – Critical                                                                                                            | 4 – Severe                                                                                             | 3 – Medium                                                                                         | 2 – Light                                                                        | 1 – Very light                                                     |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------|
|                       |                                                                                                                         |                                                                                                        |                                                                                                    |                                                                                  |                                                                    |
| Economic impact       | Very severe adverse impact on EBITDA. An adverse impact on P&L* of >5%.                                                 | A severe adverse impact on EBITDA. An adverse impact at CE of >3.5% but <5%.                           | A significant reduction in EBITDA guidance. An adverse impact at CE of >1.5% but <3.5%.            | A slight reduction in EBITDA guidance. An adverse impact at CE of >0% but <1.5%. | No change in existing EBITDA.                                      |
| Organisational impact | Materialisation of the risk requires intervention by the Board of Directors.                                            | Materialisation of the risk requires intervention by the CEO.                                          | Materialisation of the risk can be resolved at the corporate level.                                | Materialisation of the risk can be resolved at the division level.               | Materialisation of the risk can be addressed at the factory level. |
| Reputational impact   | Reputational damage stemming from several actions that have a severe impact on the company's image and its share price. | Reputational damage stemming from several actions that impact the company's image and its share price. | Occurrence of an event that is picked up by high-profile media and reaches the regulator/analysts. | Occurrence of an event that is picked up by the local media.                     | No impact.                                                         |

(\*) Statement of profit or loss

# Risks assessed in 2022

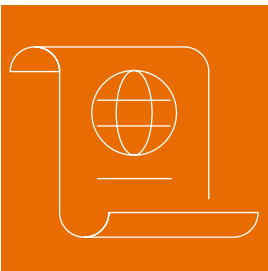
Below is a list of the main risks to which the group is exposed which are evaluated in the course of drawing up the general risk map, classified by the areas that are critical to the company:

Twenty risks were evaluated in 2022, one more than in 2021.



## People

- Ability to guarantee the workplace health and safety of group employees.
- Erosion of the corporate culture, the bedrock of the company's successful business model.
- Lack of succession plans for key management personnel.
- Lack of human resources needed to maintain growth.
- Lack of training and talent management policy.



## Human rights

- Code of Professional Conduct breaches by group employees.

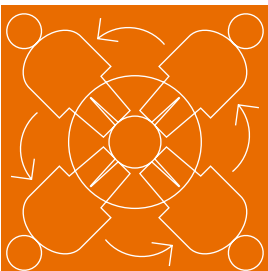
## Corruption and bribery

- Criminal risk.
- Failure to comply with legislation in any of the company's operating markets.
- Breach of any of the 10 principles enshrined in the United Nations Global Compact, of which the company has been a signatory since 2015 and/or failure to contribute to delivery of the Sustainable Development Goals (SDGs) with which the company is most aligned.



## Finance

- Reliability of the financial information disclosed.
- An aggressive tax strategy or risks considered manageable becoming unmanageable\*.
- Financial risk understood as market risk (including foreign exchange and interest rate risk), liquidity risk and credit risk.



## Society

- Reputational damage as a result of activities not linked directly to the company's operations.
- Non-alignment of the supply chain with the group's ESG commitments.
- Change in market trends.
- Failure to meet customer expectations.
- Management of M&A-led growth.
- Cybersecurity and data protection.
- Geopolitical risk.



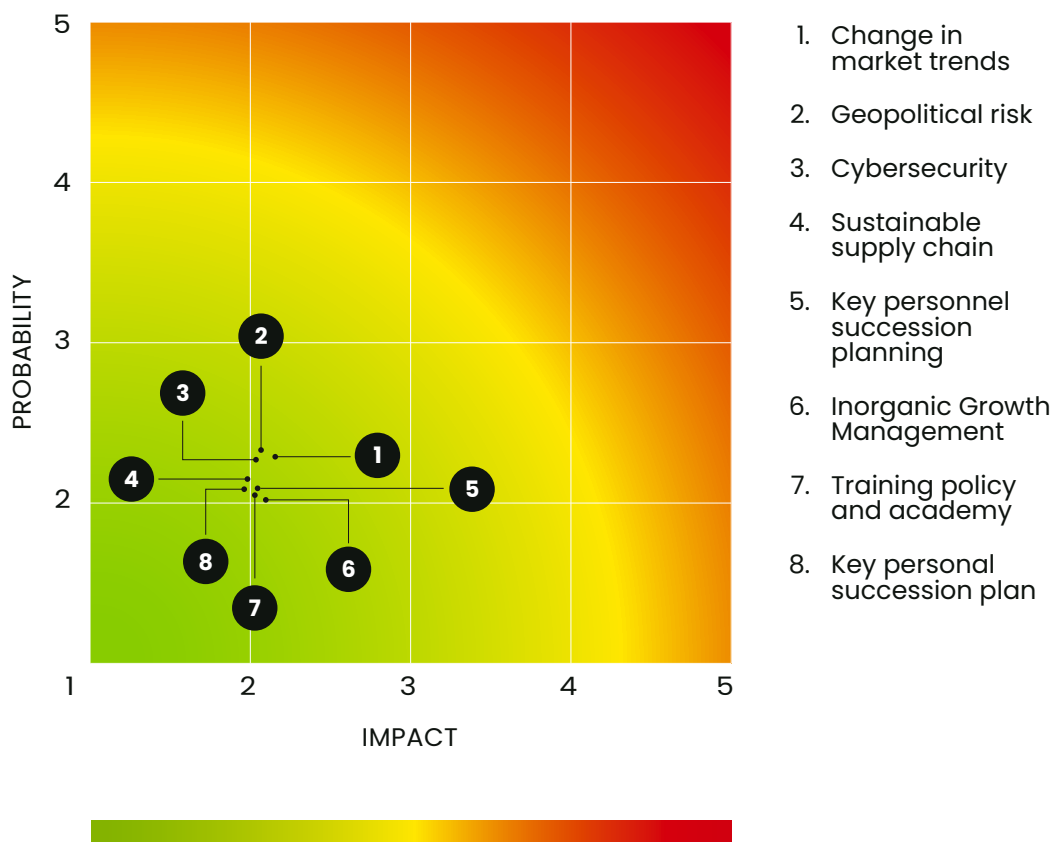
## Environment

- Impact of climate change on delivery of the company's strategic objectives.

(\*) For more information, refer to Value Distributed to society, Good tax practices section



Risk map 2022



Before being placed on the risk map, the risks are filtered to exclude from the assessment risks for which no extraordinary measures are required on account of their nature or the company's risk appetite. That is the case of risks classified as low probability and low impact.

The 2022 Risk Map confirms and consolidates the risks intrinsic to the sector and its evolution, such as changes in market trends, and another risk inherent to CIE Automotive's trajectory, growth and future, which is the management of inorganic growth, as well as showing the company's growing concern about geopolitical risk and its impact on the achievement of its strategic objectives.

This year's risk map also highlights concern about cybersecurity and the losses its mismanagement could trigger and it shines the spotlight once again on sustainable supply chain management, due to the rise in commodity prices and the scarcity generated by global supply chain friction, which has ushered in a new era of inflation.

In all of these scenarios, care for the company's most important assets - its people - emerges as a critical factor, along with the associated risks: having a sufficiently deep team of trained and well-prepared professionals and adequate succession planning.

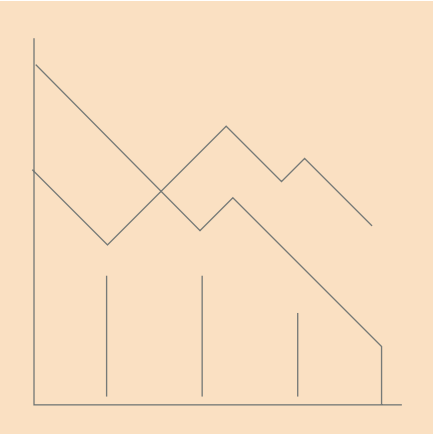
Elsewhere, it is also worth highlighting the initiatives taken and controls introduced in 2022 to mitigate certain risks deemed priority risks in 2021 which no longer rank among the top concerns, most notable among which financial risk and the risk of not meeting customer expectations. The measures and controls rolled out by the company, along with the provision of dedicated training, are clearly working.

The 2022 risk map once again highlighted risk factors intrinsic to the sector and its evolution, such as changing market trends

Key risks:  
description and action plans

Below is an analysis of the main risks depicted in the risk map with a probability of materialisation during the Business Plan horizon with an impact at the economic, organisational and/or reputational levels. Note that none of the risks has been rated as highly probable or of severe or very severe impact.

Change in market trends



The automotive industry is undergoing disruptive changes for which the company needs to be prepared by maintaining the flexibility required to adapt to customers’ unfolding or future demands, as well as increasingly stringent regulations.

Emerging car technology (including vehicles powered by electricity or alternative energy fuels, diesel engine developments and emissions reduction targets) is reducing demand for some of our strategic products and introducing new systems and components.

Action plan

As stressed throughout this report, CIE Automotive has a unique business model, one that has proven extraordinarily effective in shifting and demanding environments such as those tackled in recent years and that currently looming.

To address shifts in market trends, the company emphasises the importance of cross-departmental coordination. Also, the R&D and market analysis departments have been comprehensively and continuously monitoring the various trends that have been affecting the sector, as shared with it by the sales and other divisions, in order to assess their implications and design the action plans that have been layered into the company’s strategic plans since 2015.

As a result, R&D projects undertaken on a standalone basis, or as part of consortia involving our customers, in the areas of electrification, the circular economy, vehicle light-weighting, safety and Industry 4.0, to name a few examples, have generated key collaborations with traditional OEM customers on new developments coming on to the market in sync with the shifting market trends identified.

In parallel, the company’s sales area has worked hard to generate leads at new sector players. The new players do not work in the same way as the traditional OEMs so that penetrating those accounts forces us to rethink our sales and collaboration approach.

That effort has been rewarded. CIE Automotive is already producing regularly for some of those newcomers and is at the development phase with other potential new customers whose business models are totally different from those of the OEMs. This is precisely where having a flexible structure, strong customer focus and unique engineering capabilities really sets us apart from our peers and competitors. Unstinting analysis of our surroundings and those of our stakeholders has emphasised concern around climate change and the need to decisively tackle the climate emergency facing society. .

Actions have also been taken at the organisational level: the engineering and environment departments have been merged to ensure that sustainability, decarbonisation, circularity and eco-design criteria are factored into new product and project development from the drawing board stages. That approach is how we materialise our commitment to using circular materials, making lighter vehicles and safer products and contributing to the fight against climate change.

The company continues to reinforce the flexibility of its model – characterised by geographical, customer and technology diversification – to adapt to unfolding and future customer needs and emerging automotive trends. These trends are taking hold at different speeds in the various markets in which CIE Automotive does business and the company adapts to what each customer and scenario demands.

Product portfolio diversification brings a unique ability to adapt relative to our competitors. A portfolio in which more than eight out of every 10 products are independent of a vehicle’s propulsion system and therefore not impacted by the sector electrification trend. For the rest of its products, the company is working from the technological and market standpoints to make the most of the opportunities emerging in the battery, engine/motor, power electronics and gearshift areas.

As for the risk associated with products for which there is no clear substitute in zero-emission cars, CIE Automotive plans to increase its presence in those that have a bigger role to play in the vehicle light-weighting trend (forged chassis and suspension parts) and in machined shafts and gears. It also wants to actively pursue business in technologies that customers are likely to outsource in order to focus on new challenges, such as connectivity, automated driving and the provision of embedded software solutions. In parallel, the company will continue to focus on its innovation effort in these same areas which is expected to give the company a winning edge in the coming years, positioning it to take advantage of the opportunity to consolidate the resulting market.

As outlined in prior reports, CIE Automotive has set itself annual sales targets as it waits for the market and its customers to increase volumes, while capturing new players in the key mobility market. Note that in 2022, 53% of the order intake related to NEV projects, which is above the level of market penetration enjoyed by this class of vehicles.

One of the cornerstones of the 2025 Business Plan is a strategic commitment to the comfort segment, which is proving astute in light of the growing importance users are placing on these characteristics when purchasing a new car. The company plans to take advantage of this growth opportunity, along with those emerging in other areas immune from the impact of choice of propulsion technology.

CIE Automotive has for some time been working to provide its employees with know-how, skills and training on the new capabilities required as a result of sector digitalisation in general and our factories’ digitalisation in particular. At the same time it is collaborating with technology firms, training centres and universities on the creation, identification and attraction of talent in those areas.

It is worth highlighting the boost the company is giving the training area within the Pilot Testing Advanced Manufacturing Taskforce led by the Basque regional government.

The transition towards a low-carbon economy will highlight the efforts companies like CIE Automotive have been making for years to introduce eco-design concepts from the earliest stages of product development and build circularity into all of their processes.

What does look likely is that over a medium-term horizon the automotive companies stand to emerge stronger from the crisis to the extent they can adapt to the new scenario, foreseeably characterised by the following factors, on which CIE Automotive is already specifically working:

- Reduction of surplus capacity.
- Concentration processes: fewer players but companies that are larger, more diversified and more resilient in the face of future crises.
- Strategic alliances designed to share the investment needed to prepare for sector transformation.
- Greater financial control and discipline.
- Eco-efficiency and circularity.
- Commitment to mitigating environmental impacts.

CIE Automotive’s business model has already proven resilient in the face of numerous crises thanks to the combination of geographic, technological and customer diversification framed by a decentralised management model and strict financial discipline.

Throughout this process, the company has been involving its entire supply chain, detecting opportunities for work with customers and bringing those needs and opportunities to its suppliers. This is particularly important in regards to the use of recycled and recyclable materials, as well as the use of green materials, which require a capable and effective supply chain, in addition to validation and certification by our customers. Here it is worth highlighting the supply chain decarbonisation initiative, Supply Chain Race to Zero, one of the key lines of action enabling CIE Automotive’s commitment to achieving net zero emissions by 2050.

Our geographical balance and global footprint help reduce market-specific risks due to different rates of adoption of the sector changes and trends around the world.

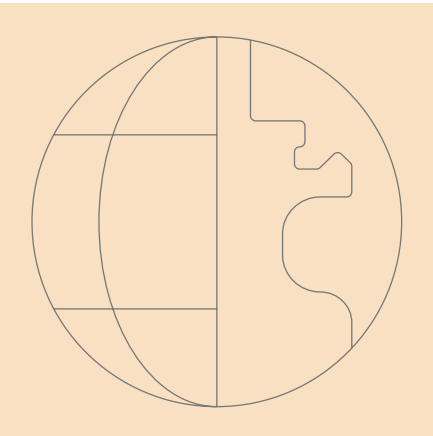
For more information, refer to Automotive  
sector trends and outlook by region; Key automotive  
sector trends

And the lessons learned in one place can be used to tap opportunities and mitigate risks in another region or market.

Lastly, in the shorter term, the company is focused in locking in access to the raw materials it needs, to which end it is reinforcing its GLOCAL (global management with local application) purchasing model, coupled with its multi-location footprint, to be close to the OEMs and not have to depend on global supply chains.

For more information, refer to sections Suppliers and Update of Glocal management procedures

Geopolitical risk



2022 showed how a long list of potential external shocks, ranging from extreme meteorological phenomena, inflation fuelled by energy price volatility and migratory and demographic challenges, to the ongoing war between Russia and Ukraine and tensions between the US and China, expose governments to litany of risks they may not be ready to handle amidst social and institutional weaknesses.

States under financial pressure as a result of the above-listed shocks could seek budget balance by passing laws and introducing levies to stem their fiscal deficits. Those forces are pushing interest rates

and inflation higher, affecting GDP and employment and, as a result, the population’s purchasing power and access to credit, ultimately denting consumer spending and the purchase of cars.

Moreover, in a new geopolitical order, legal and compliance teams are having to deal with cross-border legislative requirements that are ambiguous or contradictory.

Action plan

As outlined in the response to shifting market trends, the company is currently focused on locking in access to the raw materials it needs, to which end it is reinforcing its GLOCAL (global management with local application) purchasing model, coupled with its multi-location footprint, to be close to the OEMs and not have to depend on global supply chains.

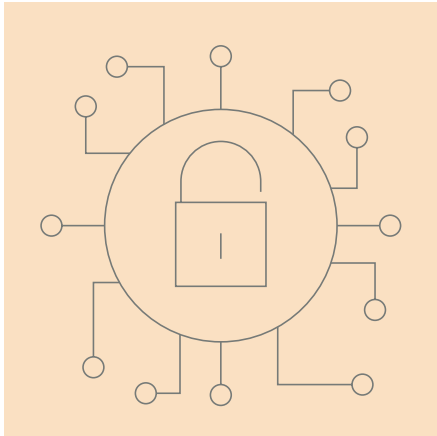
The GLOCAL approach brings other advantages such as a reduction in the company’s carbon footprint, a lower impact via reverse logistics (returns) and reduced vulnerability to regulatory changes and swings in interest rates, exchange rates and tariffs.

CIE Automotive takes a decentralised management approach to ensure its decision-making is quick, simple and direct. Each region and division takes the decisions that best serve their prevailing interests at any given time with the support of the firm’s Corporate Areas and Network Services vested with a group-wide remit: Europe, North America, Brazil and Asia.

Despite classification into major regions and divisions (the main technologies), the factories, albeit guided by the company’s strategy, have full operational autonomy and are managed by local teams, so dissipating business continuity risks for the company as a whole as a result of armed conflicts, the related international sanctions or other similar risks.

For more information, refer to Automotive sector trends and outlook by region; Key automotive sector trends; and Update of Glocal management procedures

Cybersecurity



Cybersecurity, understood as protection of IT assets by handling threats that could jeopardise the information that is processed, stored and distributed over interconnected IT systems, has emerged as one of the biggest risks facing companies today. It is vital to pay particular attention to users and possible improper usage; service outsourcing and potential sources of loss or damage (theft, fire,

etc.). In addition, the current health crisis has prompted an increase in remote working arrangements and communication networks have become more exposed to possible attacks.

Action plan

CIE Automotive launched a cybersecurity consultancy project to map out the potential IT system risks to which the group was exposed to in 2021.

The project comprises three phases:

- Scenario identification (completed in 2021).
- Risk quantification (completed in 2022).
- ECOR assessment, methodology used by the consultant to calculate the impact (to be performed in 2023).

Once all three phases are complete in 2023, CIE Automotive will be able to determine what type of action to take to minimise its risks.

The following work was done in 2022:

- Description of risk scenarios.
- Risk analysis as a function of probability of occurrence and impact.
- Classic risk analysis.
- Advanced quantification based on analytics and a PowerBI dashboard.

Having defined the risk scenarios as a function of their probability of occurrence and impact, a total of 66 cybersecurity controls

were evaluated with the help of the IT managers of all the IT groups around the world with the aim of understanding the risks associated with each scenario.

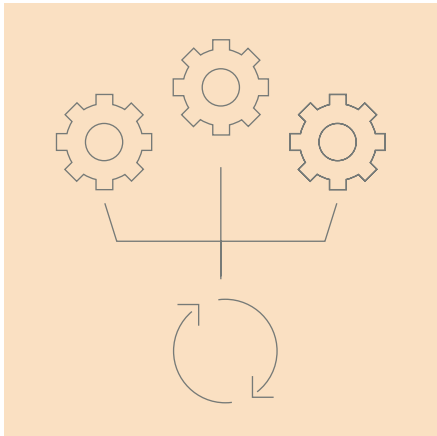
Once the information received from each of those IT managers was analysed, the controls were classified and measures rolled out in each IT group. That enabled assessment of the probability of occurrence of each scenario. To appraise the financial aspects, calculations were made adjusting for each group’s revenue levels.

The tasks scheduled for 2023 include:

- Monitoring cyber risks and updated PowerBI risk scoring.
- Risk analysis to identify action plans by group and define baseline scenario controls.
- Once those action plans have been defined, the advanced quantification values will be updated.
- Development of a basic control questionnaire for use in new acquisitions.

Lastly, to foster knowledge around cybersecurity risks and raise organisational awareness, a training initiative was rolled out globally in 2022, which is set to continue this year.

Sustainable supply  
chain



Sustainable management of the company’s supply chain, which includes getting its suppliers to align their management with the ESG commitments assumed by the group, is key to the success of the 2025 Business Plan. From as soon as we sign a contract with a customer, we commit to ensuring the sustainable management of our supply chain, to which end we are obliged to manage its ESG aspects in a systematic manner, so as to contribute to the creation of sustainable productive environments in which the safeguarding of the human and labour rights of the individuals working in them is guaranteed and ensure there is a commitment

to their surroundings, the environment and to doing business ethically.

One of the prime lessons learned from the COVID-19 crisis is the need to prepare for the unexpected. The growing complexity of the international environment, in which geopolitics, proliferating regulations and natural disasters unleashed by climate change are increasingly coming to the fore, is forcing companies to monitor and attempt to anticipate how their businesses could possibly be disrupted.

Action plan

Raising awareness and educating all CIE Automotive employees about ESG matters should be seen as a major opportunity.

Also an opportunity for the procurement managers, guided by ongoing implementation of the successful GLOCAL supply chain management model, to work even harder to encourage suppliers to meet ESG compliance requirements. The ultimate goal is to create a solid, flexible and resilient supply chain aligned with the SDGs.

Risk mitigation involves:

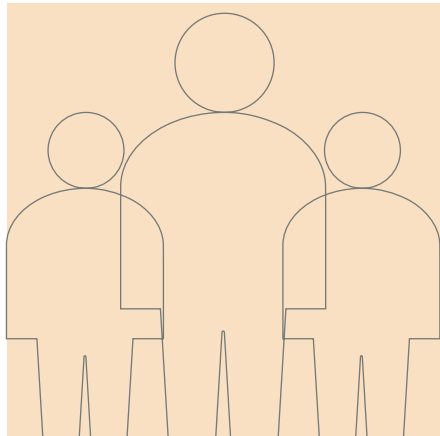
- Renewing ISO 20400 Sustainable Procurement certification annually.
- Continuing to apply common procedures aligned with each country’s legal requirements and the group’s ESG strategy.

- Providing the organisation with an objective ESG scoring, KPI and monitoring system for the supply chain, via the Supplier Portal.
- Monitoring the supply chain’s ESG KPIs quarterly.
- Continuing to provide all buyer teams with ongoing training.
- Providing local suppliers with ESG training via specific sessions and meetings.
- Encouraging ESG audits worldwide.
- The Supply Chain Race to Zero project

For more information, refer to section  
Update of Glocal management procedures and Supply Chain Race to Zero project



Human capital  
for growth



Management of the current and projected pace of growth requires consolidation and development of the company’s finest asset, its people.

That is why it is fundamental to agree a unified training and promotion plan with the aim of planning, appraising and enhancing professionals’ current and future skillsets so as to facilitate delivery of CIE Automotive’s strategic objectives.

**Action plan**

The group is continually improving its employment terms and conditions to make them compelling for its existing professionals and to attract new talent to the organisation.

Factory managers and HR managers around the world periodically assess the situation at their factory or factories for the risk of losing talent, especially in critical positions, and take the measures required to retain key talent and plan for succession as needed.

CIE Automotive has a group-wide professional development programme which, among other things, enables it to identify high potential individuals in our factories and monitor their performance at the company.

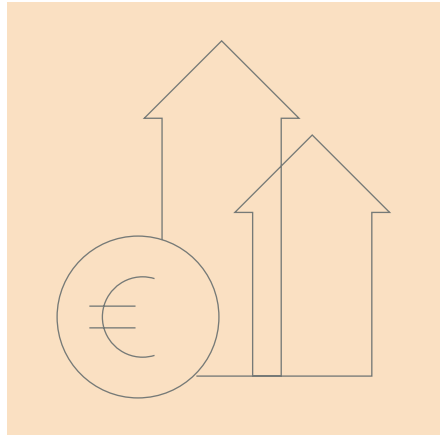
The need to continuously hire, train and retain professionals is set to remain a major challenge in the years to come. Moreover, in some of CIE Automotive’s markets, low unemployment and high staff turnover levels are making it hard to operate at normal levels and achieve the company’s targets.

As part of its recently launched Diversity Diagnostics initiative, the group has included generational diversity as one of the four classes of diversity to be analysed with the aim of integrating talent from different generations and generating personnel ageing data by job category, factory and country so as to be able to anticipate, at the corporate and local levels, potential succession planning needs at each factory.

In addition, as shown elsewhere in this integrated report, the group has been gradually increasing the number of training hours imparted and its work flexibility measures; both tools render the group more attractive to new talent and facilitate retention of existing talent.

**More information in the Employees sections,  
Employment and Diversity, Training and mobility**

Management of  
M&A-led growth



As envisaged in the Business Plan, the recent, current and foreseeable pace of M&A-led growth requires tighter control over operations and investments. The integration of new firms into the group requires an initial effort in order to adjust their respective cultures and ways of doing things to align with CIE Automotive’s management methods

**Action plan**

CIE Automotive works hard to embed its business model and corporate culture at newly acquired companies. The most noteworthy initiatives on this front include:

- Involving the management team in M&A transactions.

and profitability thresholds. In addition, the fact of having local partners (joint ventures and/or alliances with private and public companies and organisations) could generate conflict and wariness that can affect business performance directly or generate international compliance vulnerabilities.

- Defining and implementing a clear management model designed to enable the company to assume control over new acquirees rapidly.
- Fostering the readiness and availability of key internal managers to tackle new integrations.

Risks mitigated in 2022

Thanks to the actions taken in 2022, CIE Automotive managed to mitigate the probability of materialisation of the following risks, labelled priorities in 2021, and, therefore, no longer deemed in need of priority attention in the 2022 risk map.

Financial risk



The group’s business activities expose it to various types of financial risk: market risk (including exchange rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and commodity price risk.

The group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Action plan

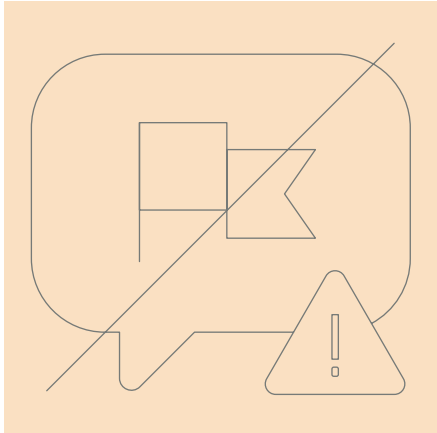
Management of this risk factor, which falls to the group’s Finance Department, crystallises in an effort to optimise the capital structure, combined with the arrangement of natural hedges (matching currency of generation and borrowings) and/or non-speculative derivatives suited to our risk profile in order to actively manage potential currency risks.

Active management of finance costs, extension of the average maturity profile and rationalisation of the working capital requirement in order to reduce borrowings while maintaining a sufficient liquidity buffer.

The financial management effort is also focused on diversifying the company’s sources of financing. Specifically, it achieves appropriate coverage by combining bank borrowings, institutional funding and capital markets raises. The search for global financiers also helps mitigate risks.

More information in the “Consolidated Annual Accounts and Consolidated Management Report” corresponding to the year ended December 31, 2022

Risk of failing to meet customer expectations



Mismanagement of new projects and/or operations could lead to failure to attain the defined specifications and, possibly, breaches of contract (e.g., delivery times, milestones or quality).

Action plan

CIE Automotive’s customer responsiveness is addressed from every area of the organisation.

The company’s key Business Processes are centred on ensuring CIE Automotive meets customer expectations at every step of its relationship with them. Process 2, for example, guarantees that the entire process of searching for and securing new business is done as effectively as possible, with customer satisfaction as

the overarching goal. Already during that phase, the company analyses all customer requirements, specifications and needs so as to make proposals that tick all the boxes, underpinned by technical, quality and supply chain reviews conducted with the customer.

If the company secures new business, Process 3 ensures that the launch and industrialisation of the project is framed by the highest

standards, specifically including control tools that are widely used in the sector, such as product and process FMEAs, product and manufacturing validations, control plans, prototype launches, samples and ongoing revision of customer specifications with a focus on special characteristics and regulatory and safety considerations.

Lastly, once the agreed launch standards have been attained, mass supply begins, framed by the procedures and tools comprising CIE Automotive’s Process 4.

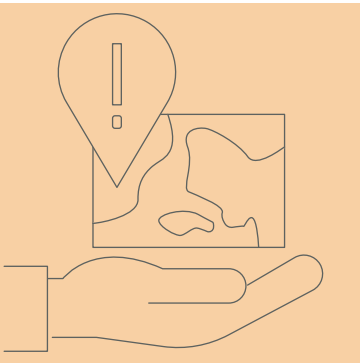
All of these processes and tools are aligned with the most stringent sector standards and are audited continuously both internally and by a third party. Of course there are many other group-wide processes that similarly contribute to ensuring customer satisfaction, the transfer of know-how to projects, the availability of top-quality suppliers and the right use of the people, resources and technology to meet customer demands.

Lastly, CIE Automotive strives to stay ahead of their needs by means of our innovation thrust to ensure long-term collaboration with our customers. That innovation is encompassed by Process 1.





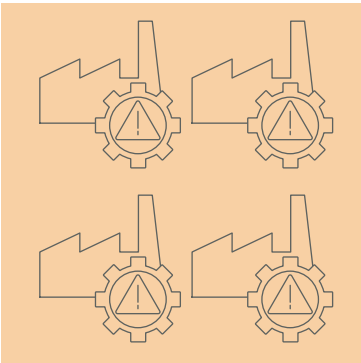
# Continuous improvement of the ERM system



## Continuous improvement of the risk map

In a bid to ensure that the risk map adds new value to the organisation year after year, CIE Automotive has worked hard to:

- Update and improve the two risk maps that complement the company’s general risk map. Those maps address climate risks, so complying with the EU Directive, and criminal compliance risks, thus upholding the commitment made by the company in its 2025 Business Plan.
- Launch new controls in the area of corporate compliance as a byproduct of the global rollout of the compliance model between 2020 and 2022.
- Integrate strategic and operational risk management (the latter being that performed at the factory level by process to obtain IATF certification) into a single reporting tool whose reports will be available on the corporate intranet once the project is complete.



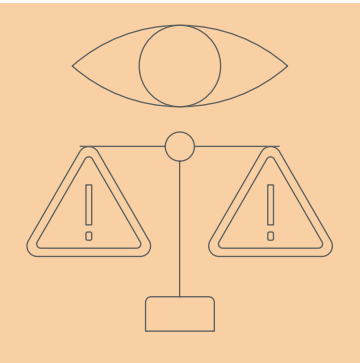
## Risk control at the individual factory level

CIE Automotive has defined a procedure for systematically assessing and prioritising risks at the manufacturing plant level which has been implemented globally. That effort involves the full management team at each factory and follows the process map, defining for each facility the types of risks to which they are exposed and evaluating them as a function of their probability of occurrence and impact were they to materialise; in short, establishing a risk priority schedule.

Minimisation or even elimination, to the extent feasible, thus becomes just another objective to be considered within each facility’s management plan.

In addition, the factories already undertake various risk analysis exercises using tools such as:

- FMEA (Failure Modes and Effects Analysis) with respect to products and productive processes.
- Identification and evaluation of environmental impacts.
- Assessment of workplace health and safety risks.



## Criminal risk prevention model

CIE Automotive put its Criminal Risk Prevention Model in place in 2015. The model is underpinned by a Support Unit made up of:

- CIE Automotive’s General Secretary, who is tasked with presiding, managing and coordinating the Support Unit.
- A representative from CIE Automotive’s Internal Audit Department.
- Any professionals called on for their expertise.

The unit has independent intervention and control powers within the organisation and its mandate is to oversee compliance with the corporate Criminal Risk Prevention Model.

The company relies on this model to mitigate the risk of money laundering. CIE Automotive analyses the level of maturity attained by its compliance model regularly.

During its last update, carried out between 2019 and 2020, it decided to identify the most significant subsidiaries in terms of criminal compliance, analyse the differences with respect to the legislation applicable in Spain and adapt the model to suit each country’s characteristics. Since then, that model has been introduced in Spain, France, Germany, the Czech Republic, US, Mexico, Brazil, India and China.

INTERNATIONAL ROLLOUT  
OF THE CRIMINAL  
COMPLIANCE MODEL

In 2022, the company rolled out its criminal compliance model in India, Spain, France and Germany, drawing up a separate risk map for each of those markets, adding to those already put in place in the US, Mexico, Brazil, China and the Czech Republic between 2020 and 2021.

As in 2021, the work began with a regulatory benchmarking exercise to map out the regulations applicable in each jurisdiction, followed by the design of the corporate standards for controlling the main criminal risks to which the various regions are exposed.

To design the new models, the company started from the compliance model developed and implemented in Spain, the various mandatory requirements under local legislation, best national and international practices and suggestions for improving the model gathered from the various jurisdictions.

Once that was done a series of questionnaires were sent to the subsidiaries to identify criminal risks and controls for subsequent analysis and inclusion, along with the suggestions for improvement and other specific considerations.

That ultimately gave rise to an Action Plan which establishes the requirements stipulated in applicable legislation (the essential elements) as well as recommendations and lines of initiative to improve the model.

The criminal compliance  
model was introduced  
in India, Spain, France and  
Germany in 2022





# CRIMINAL RISK MAP

In 2022, the company drew up a specific criminal risk map, carrying over the initiative launched in 2021 in response to the demands of its stakeholders and honouring one of the commitments made in its 2025 Business Plan.

That new map has been integrated within CIE Automotive’s enterprise risk management (ERM) system, which is regulated by the **Risk Control and Management Policy** and follows ISO 31000 methodology so as to provide reasonable assurance that all significant risks are duly identified, evaluated, prevented and monitored.

Those criminal risks are approved at the Board level and managed in keeping with defined risk appetite and tolerance thresholds.

## Risk mapping: procedure and scope

The criminal risk map is drawn up following the same procedure as the annual global risk map.

A total of 233 people participated in drawing up the 2022 version of the criminal risk map, 100 people more than in 2021, and the exercise involved nine countries, five more than in 2021: the US, Mexico, Brazil, India, China and the European markets – Spain, France, Germany and the Czech Republic. Each respondent considered a time horizon of 2025 and their specific area of geographic influence.

The company’s aim is to come up with a national assessment for each country in which it has business operations within the horizon of its 2025 Business Plan.

The process is coordinated by the Compliance Department and the results are presented to the Audit and Compliance Committee for validation and approval; the Audit and Compliance Committee in turn reports on its assessment to the Board of Directors.

The criminal risk map can be configured to provide results at the global level but also broken down by region, by technology and by region and technology. It estimates, in euros, the impact on EBITDA (framed by the defined parameters) of the potential materialisation of each risk and includes all of the controls launched at each factory during the year, indicating their current performance status, along with the corresponding evidence.

The entire process is monitored via the internal management tool, SAP GRC.





**Criminal risks assessed in 2022**

The criminal risks assessed in 2022 are the result of benchmarking exercises to identify the regulations applicable in each national jurisdiction.

To formulate the new map, the company started from the criminal compliance model developed and implemented in Spain, the various mandatory requirements under local legislation, best national and international practices and suggestions for improving the model gathered from the various jurisdictions.

Following that analysis, 38 potential crimes were evaluated by the various professionals identified for that task, which is 15 more than in 2021. The aggregate criminal risk map for 2022 is based on the implementation of the compliance model in the following nine markets: the US, Mexico, Brazil, India, China, the Czech Republic, Spain, France and Germany. It is not yet, therefore, a global map, that being a specific target set down in the 2025 Business Plan.

On the basis of its current boundary and its residual risk assessment approach, the map reveals that none of the criminal risks evaluated presents a medium or high probability of materialisation or a significant or severe impact on EBITDA if they were to materialise. Indeed, most of the assessments highlight the credibility of the compliance model and controls already in place, based on global monitoring of the controls performed at the factory, technology and country levels, as well as on continuous specific training.

That education commitment materialised in two training initiatives in the corporate liability and anti-corruption areas between the end of 2020 and 2021, which were provided to 600 people in total, including the company’s directors, key management personnel, the global management team and the members of the local management committees.



In addition, the company provided training on the core aspects of the Code of Professional Conduct to everyone belonging to the organisation all around the world; over 6,200 people took the course online, with the remainder completing the training by means of brochures and a final assessment.

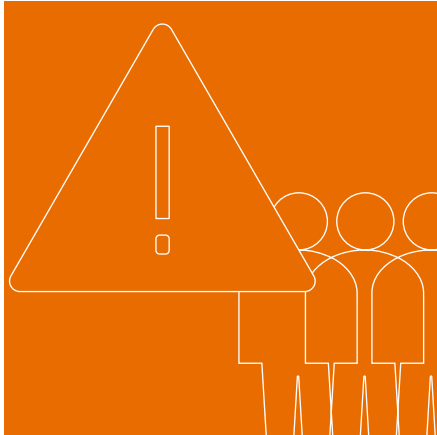
It is important to note that each time the compliance model is introduced into a new country, specific criminal risk training is provided to all of the people it applies to. That refresher training involves a reminder of the company’s in-house policies, manuals, procedures and controls and provides an update on applicable local legislation and related developments.

38 potential crimes  
were evaluated by the identified professionals,  
which is 15 more than in 2021

Key risks:  
description and action plans

Below we itemise the main criminal risks identified in the new risk map, with limited boundary as noted (nine countries: US, Mexico, Brazil, India, China, Spain, France, Germany and the Czech Republic), namely those with a higher probability of materialising within the horizon of the Business Plan that could have an impact at the financial, organisational and/or reputational levels although, as already mentioned, none of the risks is considered highly likely to materialise or of severe or very severe impact if it were to materialise.

Risks with low probability of occurrence and moderate potential impact



Discrimination  
Damage to natural resources  
Disclosure of trade secrets

Action plan

Exercising the due control required under Spain’s Criminal Code requires the company to implement continuous control mechanisms and to appoint internal control bodies to follow up on the controls implemented and any possible criminal risks.

Framed by those legislative requirements, CIE Automotive has defined a control structure made up of: (i) the Board of Directors, as the highest decision-making body; (ii) the Audit and Compliance Committee, as oversight and control body; and (iii) the Support Unit.

CIE Automotive has vested the control and oversight duties in the Audit and Compliance Committee, as it has the autonomy and independence in terms of control powers and the ability to act required under the control framework.

The Compliance Department is responsible for continuously reviewing and updating the internal control system and ensuring compliance with internal and external regulations and the policies and procedures in place for mitigating the main corruption and fraud risks.

It is also in charge of the Corporate Crime Prevention Model and establishing and developing CIE Automotive’s ethics framework.

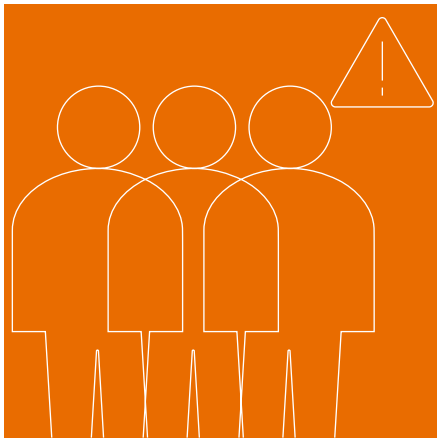
All of CIE Automotive factories use an IT tool to guarantee performance of the required internal controls. That tool is the SAP GRC (Governance, Risk and Compliance) suite, which permits the automated and manual analysis of the level of performance of the controls conducted at the factory level and tracks incidents and any resulting action plans, enabling traceability, as outlined in greater detail in the Internal Control Systems section.

In 2022, the company launched internal controls to mitigate the main risks identified in the regions in which the criminal risk map has been formulated, as well as providing training on the topics of criminal liability and anti-corruption efforts, building from the training provided on the core contents of the Code of Professional Conduct in 2021 and continued in 2022.

Risks mitigated in 2022

Thanks to the actions taken in 2022, CIE Automotive managed to mitigate the probability of materialisation of the following risks, labelled priorities in 2021, and, therefore, no longer deemed in need of priority attention in the 2022 risk map.

Risks with low probability and slight impact



**Bribery | Influence peddling**  
**Business corruption**  
**Misrepresentation in reporting obligations**

The key actions taken included tighter control over and monitoring of the existing controls, the introduction of new controls following the model’s reassessment and, importantly, the ongoing training provided on these risks by the Compliance Department.

IMPACT, OVERSIGHT AND CONTROL

The risk oversight and control functions are performed via the Risk Management and Process Control modules of the SAP GRC tool operational in all of the company's productive facilities worldwide. Those modules define a specific number of controls (many of which are automatic) for each risk factor to be performed by different people. Due performance of those controls is monitored by the group's Compliance Department. The results of the entire effort are the subject of a review by the Internal Audit Department as part of its Annual Audit Programme.

Internal control system

CIE Automotive's internal control system – from risk identification and internal control through to the assurance function – is articulated around the three lines of defence model.

The Compliance Department is responsible for continuously reviewing and updating the internal control system as a whole, specifically including financial and non-financial aspects, and ensuring compliance with internal and external regulations and the policies and procedures in place for mitigating key risks of all kinds.

It is also in charge of the Corporate Crime Prevention Model and establishing and developing CIE Automotive's ethics framework.

All of CIE Automotive factories use an IT tool to guarantee performance of the required internal controls. That tool is the SAP GRC (Governance, Risk and Compliance) suite, which permits the automated and manual analysis of the level of performance of the controls conducted at the factory level and tracks incidents and any resulting action plans, enabling traceability.

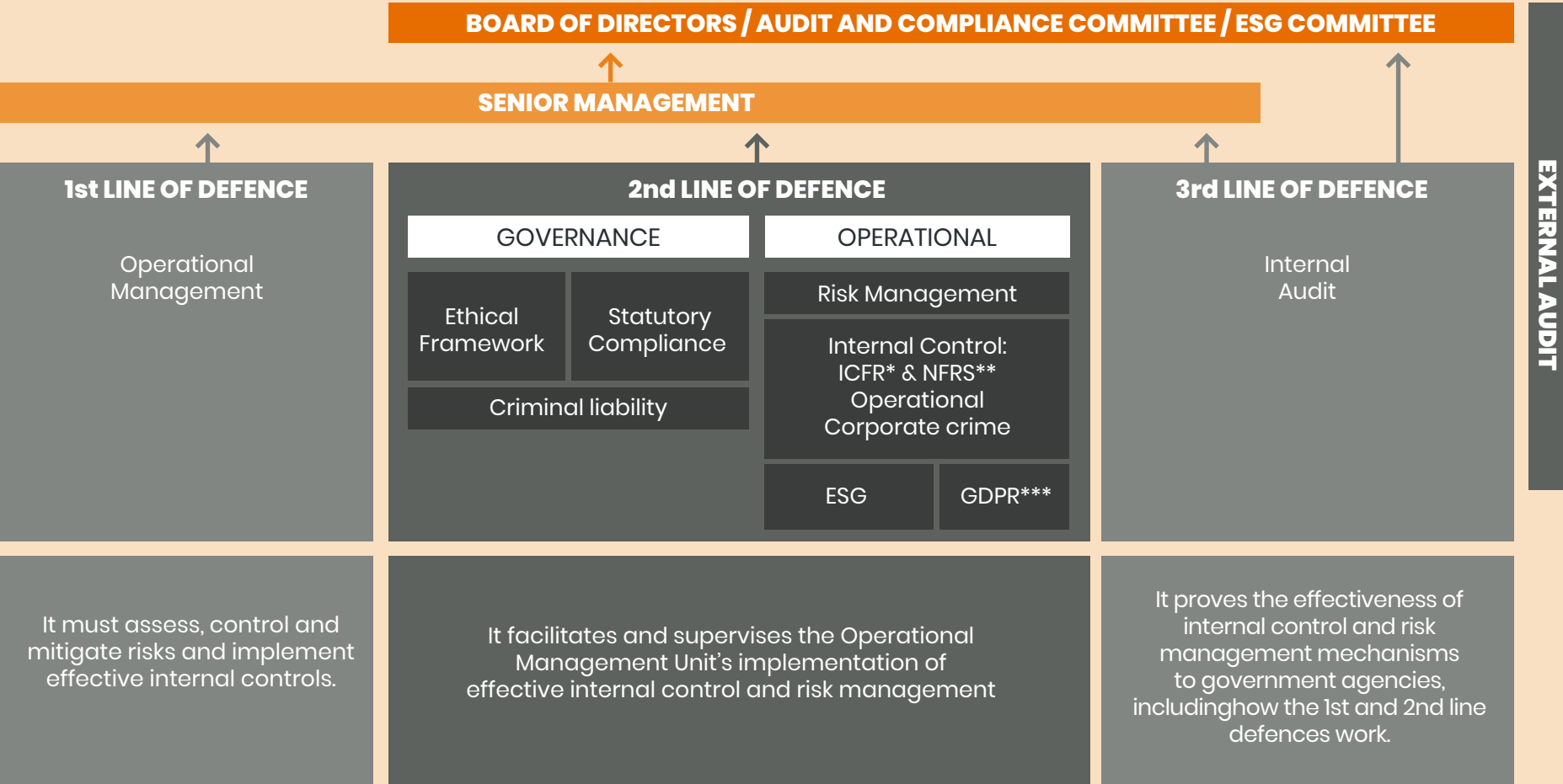
Thanks to that procedure, CIE Automotive is supervising compliance with more than 250 financial (ICFR) and non-financial (ESG, criminal liability, compliance, IT and GDPR-aligned data protection) controls per facility.

Elsewhere, the Internal Audit Department, as part of its Annual Programme, which is approved by the Audit and Compliance Committee, reviews the internal control system enabled by the SAP GRC tool and assesses all of the controls and risks related to the processes included in CIE

Automotive's process map with the aim of enhancing the effectiveness and efficiency of those controls.

All of the work performed by the Compliance Department is managed by the Audit Management module within SAP GRC in place at the various local internal audit departments (namely those in Brazil, Mexico, India and Europe).

Lines of defence



(\*) ICFR: Internal control over financial reporting  
(\*\*) NFRS: Non-Financial Reporting Statement  
(\*\*\*) GDPR: General Data Protection Regulation





COMPLIANCE MODEL

In 2019, in collaboration with Deloitte, the company conducted a compliance maturity analysis in order to bring CIE Automotive’s model to the desired level; in 2022, it continued to execute the tasks derived from the action plan resulting from the analysis, carrying on the work already performed in 2020 and 2021.

WORK PERFORMED IN 2022

- 1. **A1. Analysis and identification of the regulatory universe and key compliance aspects, with a special emphasis on criminal liability legislation, in Spain, Germany, France and India.**
- 2. **Rollout of CIE Automotive’s compliance model in Spain, Germany, France and India.**
- 3. **Update and further development of the two new risk maps created in 2021, in addition to their consolidation into the general risk map:**
  - A tailored criminal risk map for each of the new countries analysed – Spain, Germany, France and India – and the update of the maps already rolled out in the US, Mexico, Brazil, China and the Czech Republic.
  - A revamped climate risk map (adding five new climate risks), which is one of the commitments assumed by the company under the scope of its 2025 Business Plan.

4. **Identification of areas for improvement and existing gaps with respect to:**

- a. Rules, policies and procedures: creation of exclusive manuals for each of the regions analysed between 2020 and 2022 and the addition of new controls to the Criminal Risk Prevention Model.
- b. Risk identification and assessment: not only has the company identified and evaluated the climate and criminal risks specific to each region, it has also assessed all of the risks comprising the company’s general risk map. That review led to the addition of new risks and new controls to mitigate the risk of criminal conduct and the introduction of new crimes (criminal risks) as a result of the comparison of corporate liability in Spain against that in the other regions in which the compliance model was rolled out between 2020 and 2022.
- c. Training and communication: continued implementation of the global criminal risk and anti-corruption training plan launched in 2020 in the form of ESG Days, along with the distribution of educational leaflets, complemented by specific training in the countries in which the criminal compliance model was rolled out and implemented for the first time.
- d. Reporting: in addition to the regular reports submitted to the Audit and Compliance Committee, the ESG Committee, key management personnel and the

management team, in 2022, CIE Automotive continued the two new reporting initiatives introduced in 2021:

- Addition of a dashboard with non-financial information to each factory’s management plan containing the ESG indicators relevant to the company’s 2025 Business Plan, an initiative approved by the Board of Directors and the ESG Committee and actively endorsed by the company’s CEO.
  - Elaboration of an interactive map for monitoring the company’s key risks and the level of performance of the internal controls in place to mitigate those risks, estimating the earnings impact (framed by the defined parameters) if they were to materialise.
- e. Oversight: the company has identified and established indicators that track the effectiveness of the model, any deficiencies detected and the execution of any action plans underway following recommendations made in prior reports.
  - f. Third-party compliance: the company has improved how it analyses and studies professional or business relationships before entering into them, so minimising the possibility that the group may be held liable for materialisation of a corruption-related risk.

All information regarding the suite of corporate policies and the compliance model is published on the group’s corporate website, within the dedicated ESG Commitments tab and in the Investors & Shareholders microsite, as well as in the various reports the company is required to file with the regulator annually.



One of the biggest challenges CIE Automotive faces is full integration of environmental, social and governance (ESG) criteria. Framed by its commitment to the 2030 Sustainable Development Agenda, in 2022, it monitored its progress on nearly 80 ESG indicators included in its Business Plan and added SDG 16 ‘Peace, justice and strong institutions’, related with the effort to thwart corruption, to its Sustainable Development Goals (SDGs). In parallel, it continued to introduce its tailored criminal risk map in new markets and sought to strike a balance between the company’s interests and satisfaction of its stakeholders’ expectations.

## Commitment to the 2030 Agenda

CIE Automotive has layered the targets enshrined by the United Nations Sustainable Development Goals into its business strategy and model in order to contribute to delivery of the 2030 Agenda, a plan of action for people, the planet, prosperity and universal peace.

In its capacity as manufacturer of parts and subassemblies for the automotive industry, the company feels it can make a more tangible contribution in respect of ten specific goals (SDGs #3, 4, 5, 8, 9, 10, 12, 13, 16 and 17). It provides an account of its progress on those specific goals in this report.

SDG 16 ‘Peace, justice and strong institutions’ was formally introduced in 2022 in light of the fact that one of its enabling targets is to achieve a significant reduction in corruption and bribery.



3. HEALTH AND WELLBEING  
Ensure healthy lives and promote well-being for all at all ages.



4. QUALITY EDUCATION  
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.



5. GENDER EQUALITY  
Empower women and girls has a multiplier effect and helps drive up economic growth and development across the board.



8. DECENT WORK AND ECONOMIC GROWTH  
Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.



9. INDUSTRIALISATION, INNOVATION AND INFRASTRUCTURE  
Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.



10. REDUCED INEQUALITIES  
Ensure equal opportunity and reduce inequalities of outcome; maintain a presence in less developed countries.



12. RESPONSIBLE CONSUMPTION AND PRODUCTION  
Ensure sustainable consumption and production patterns.



13. CLIMATE ACTION  
Take urgent action to combat climate change and its impacts.



16. PEACE, JUSTICE AND STRONG INSTITUTIONS  
Promote just, peaceful and inclusive societies.



17. PARTNERSHIPS TO DELIVER GOALS  
Strengthen the means of implementation and revitalise the global partnership for sustainable development.

# Advances in ESG management



**Endorsement of the Global Compact**

CIE Automotive’s public endorsement of sustainable development dates back to 2015, when it signed the United Nations Global Compact, so pledging to uphold universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Seven years later, as a Signatory of the Spanish Chapter of the Global Compact, the group has become an agent of transformation, aligning its business targets with the principles of equity and sustainability.



**United Nations**  
Global Compact





# ESG policy in action

CIE Automotive’s **ESG Policy** establishes the basic principles and general framework governing the management of its environmental, social and governance practices and their integration into its business model and strategy. The ESG Policy applies to everyone who works at the organisation.

Effective application of the ESG Policy and the potential risks associated with it are addressed in the Risk Management and Control Policy, which follows the ISO 31000 methodology.

ESG and sustainability management are supervised by the Board of Director’s ESG Committee, which delegates oversight of execution of the key lines of initiative in the Cross-Group ESG Committee.

To measure its performance along the different dimensions of its ESG effort, CIE Automotive has established nearly 80 ESG indicators for tracking at the global level; those KPIs have in turn been included in each factory’s management plan and are being used to track delivery of the ESG aspects of the company’s 2025 Business Plan.

Approval of this dedicated ESG dashboard by the ESG Committee and the company’s CEO and its inclusion in the 2025 Business Plan evidence the company’s strong commitment to sustainability values and lay the foundations for its actions in this area of growing importance.

## Cross-group ESG Committee

Permanent members      Non-permanent members

|                                                                                                                                               |                                                                                                                                                             |                                                                                                                                              |                                                                                                                                                                        |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>Susana Molinuevo</b><br/>Compliance &amp; ESG</p>   |  <p><b>Aitor Zazpe</b><br/>Human Resources &amp; Business Management</p> |  <p><b>Lorea Aristizabal</b><br/>Business Development</p> |  <p><b>Iker Hernández</b><br/>Risk Management &amp; Internal Control</p>            |
|  <p><b>Mikel Orbegozo</b><br/>Sales</p>                   |  <p><b>Irache Pardo</b><br/>Finance, Treasury &amp; Procurements</p>    |  <p><b>Ángel Zalduegui</b><br/>Community Work</p>        |  <p><b>Iñigo Loizaga</b><br/>Engineering, Quality and Environmental Management</p> |
|  <p><b>María Miñambres</b><br/>Controlling &amp; Tax</p> |  <p><b>Jose Esmoris</b><br/>R&amp;D</p>                                |  <p><b>Javier Alvarez</b><br/>Human Resources</p>       |                                                                                   |

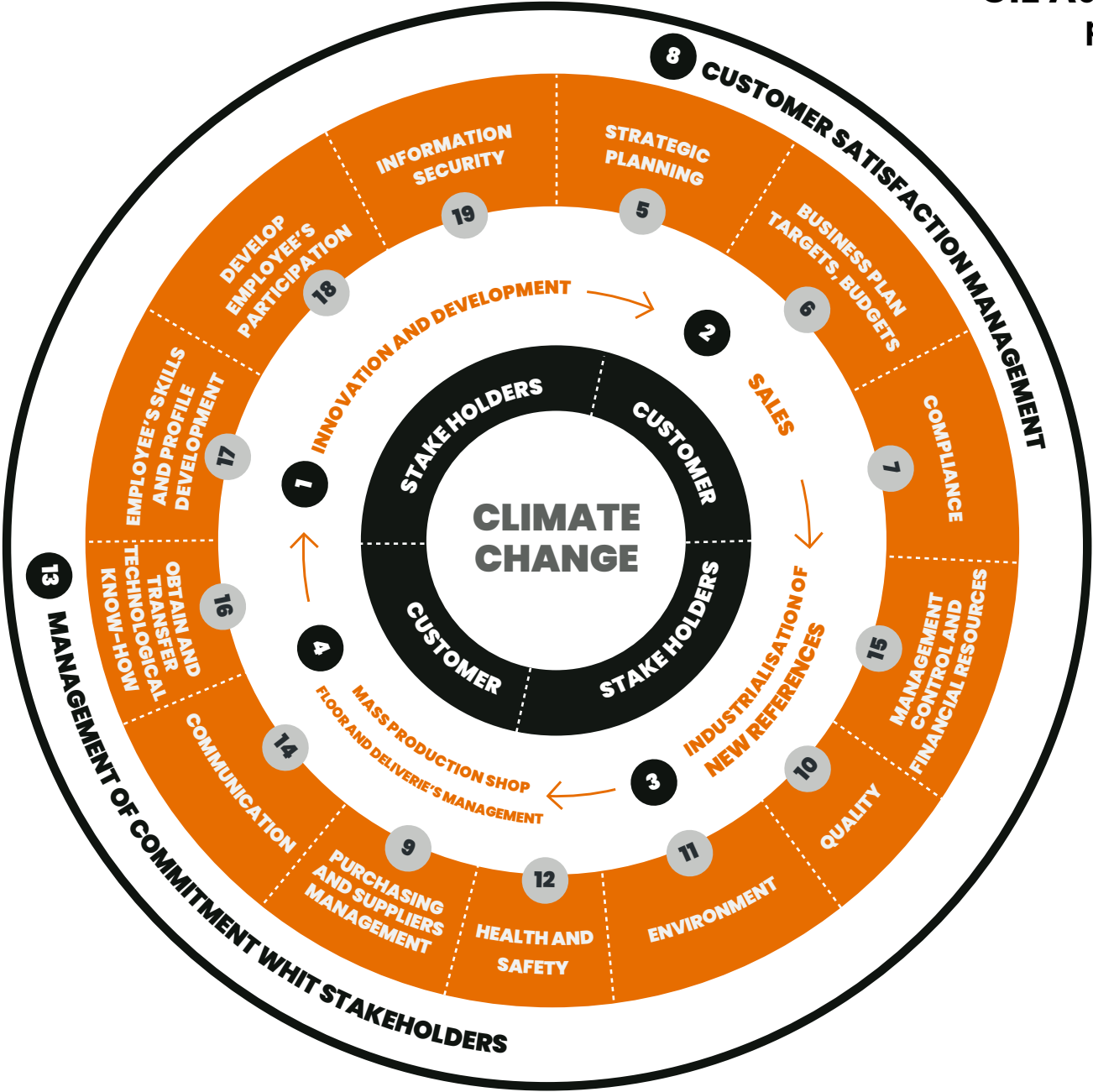
INTEGRATION IN THE MANAGEMENT MODEL

In 2022, CIE Automotive updated its productive facilities' management model for the eleventh time. That model includes elements that are foundational to CIE's culture:

- Mission, vision and values
- Stakeholders
- Process map
- Policies:
  - Quality
  - Environment
  - Health and safety
  - IT security

Specifically, it reviews the company's mission, vision and values, updates the ESG commitments and includes a new version of the process map, in which climate change now commands a core position.

CIE Automotive process map



# Progress made on the ESG front in 2022

In addition to integrating the company’s ESG commitments into the Business Plan, the Compliance Department spearheaded other significant group-wide milestones:

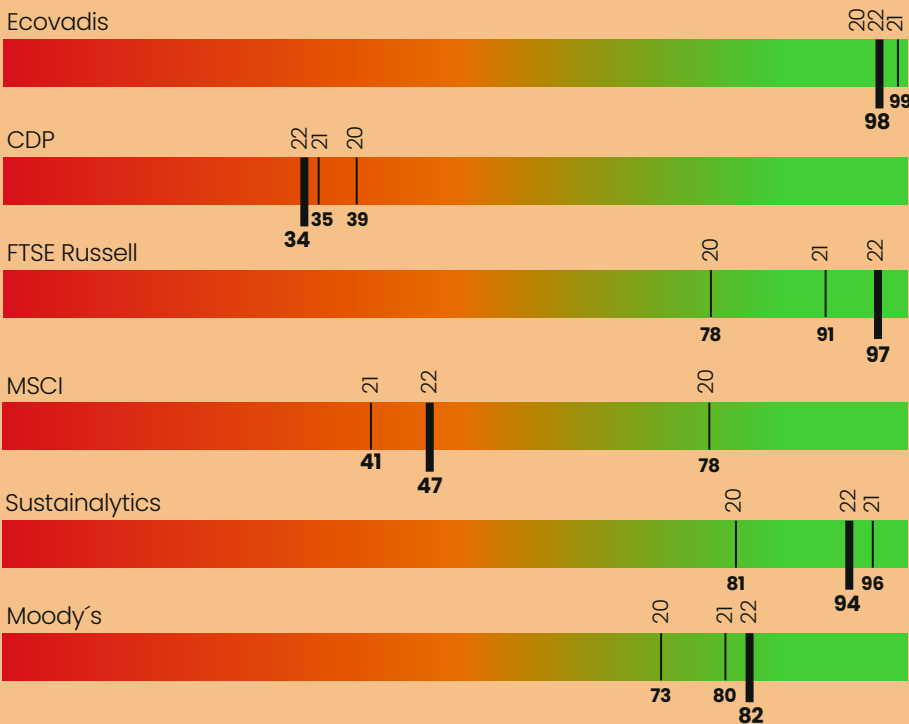
- **Organisation of ESG Days in the US, Italy and Slovakia.** In June, July and November, the Compliance Department ran ESG Days at the factories newly acquired from Somaschini (Italy) and Golde Lozorno (Slovakia) in Europe and at all the factories in the US in order to stress the ESG commitments assumed under the umbrella of the 2025 Business Plan, which were approved and published in November 2021, and also to remind each factory of its regulatory requirements. Those events were also used to update the company’s internal materiality assessment.
- **Extension of the criminal risk map to India, Spain, France and Germany** and the annual update of the risk maps in the US, Mexico, Brazil, China and the Czech Republic, thus completing coverage of the countries that account for the bulk of the group’s business activities. Each country has its own local corporate crime prevention manual, which is aligned with the corporate version. The Mexican version of that manual was updated in 2022 in light of recent local legislative developments.
- **Review of financial, non-financial and compliance risks** and inclusion of new ESG-related risks. Geopolitical risk was added to the risk map and, what’s more, identified as a key risk factor in light of its potential impact on delivery of the 2025 Business Plan targets.
- **Update of the materiality assessment.** Following an internal review in which the management committees at the factories where the ESG Days were organised participated, CIE Automotive updated its materiality matrix and publicised the results on its intranet.

## ABOVE SECTOR-AVERAGE ESG SCORES

Several independent sustainability ratings agencies assessed CIE Automotive’s performance in 2022. Most of those assessments were not specifically requested by the company and, in general, evaluate our impact on the environment, our labour and human rights practices, our ethical standards and the sustainability of our purchasing, among other material aspects.

Nearly all of those scores are trending in the right direction and place the company’s performance above the sector average.

### ESG Percentiles 2020-2022





# Stakeholder engagement

## CIE Automotive's stakeholders

CIE Automotive has identified nine groups of stakeholders that interact with the company and are affected directly or indirectly by its business activities: shareholders, professionals, customers, business partners, suppliers, society, public authorities, the automotive sector and financiers.

|                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Shareholders</b></p> <ul style="list-style-type: none"><li>• CIE Automotive generates value for its shareholders by increasing the company's value and via the dividends they receive every year.</li><li>• It provides transparent, accurate and timely information to the investment community.</li><li>• It earns the market's trust.</li></ul>                                                                             | <p><b>Business partners</b></p> <ul style="list-style-type: none"><li>• The strategic alliances with Mahindra &amp; Mahindra Ltd. in India and Donghua Automotive Industrial and the SAIC Group in China bring enhanced knowledge of and adaptation to the local market.</li></ul>                                                                | <p><b>Public authorities</b></p> <ul style="list-style-type: none"><li>• The company works with the authorities in its business communities to improve various services.</li><li>• It implements their requirements at its facilities, cooperating lawfully and transparently.</li></ul> |
| <p><b>Professionals</b></p> <ul style="list-style-type: none"><li>• The company provides decent work in all its business markets and the training needed so its professionals can do their jobs.</li><li>• It protects employee wellbeing in a safe and healthy workplace.</li><li>• It facilitates collective bargaining.</li><li>• It promotes respect for human rights with an emphasis on the more vulnerable markets.</li></ul> | <p><b>Suppliers</b></p> <ul style="list-style-type: none"><li>• The company guarantees its suppliers are given equal opportunities.</li><li>• It promotes transparency and optimal pricing.</li><li>• It provides fair payment terms.</li><li>• It reaches out to its suppliers as part of its effort to deliver customer satisfaction.</li></ul> | <p><b>Sector</b></p> <ul style="list-style-type: none"><li>• The company participates actively, holding positions of prominence, in several business associations in Spain and Europe.</li></ul>                                                                                         |
| <p><b>Customers</b></p> <ul style="list-style-type: none"><li>• The company is strategically committed to innovation to meet customers' demands.</li><li>• It guarantees the quality and safety of its products.</li><li>• It fine-tunes the supply chain continually.</li><li>• It manages its resources efficiently in order to contain prices.</li></ul>                                                                          | <p><b>Society</b></p> <ul style="list-style-type: none"><li>• The company drives development through its activities in its operating markets.</li><li>• It finances community work targeted at the least privileged.</li><li>• It helps make safer and more comfortable and environmentally-friendly cars.</li></ul>                              | <p><b>Financiers</b></p> <ul style="list-style-type: none"><li>• The company negotiates the best possible conditions on the basis of investment requirements and prevailing market conditions.</li></ul>                                                                                 |

The company has a wide range of reporting and communication channels, the most important being its corporate website, where its stakeholders can consult all kinds of information about the company and reach out to it in different ways.

CORPORATE  
WEBSITE

The corporate website [www.cieautomotive.com](http://www.cieautomotive.com) provides relevant information about the company: in addition to information about possible jobs in the dedicated human resources tab, the supplier tab provides access to the new Suppliers Portal. There is also a 'Press Centre' with all of the company's press releases and an extensive microsite with information for investors and shareholders containing all the documentation required under securities market regulations (CNMV Circular 3/2015).

SPECIFIC CONTACTS  
FOR EACH STAKEHOLDER GROUP\*

ESG and Society:  
**Susana Molinuevo** [esg@cieautomotive.com](mailto:esg@cieautomotive.com)

Professionals:  
**Aitor Zazpe** [hr@cieautomotive.com](mailto:hr@cieautomotive.com)

Investor relations and business partners:  
**Lorea Aristizabal** [ir@cieautomotive.com](mailto:ir@cieautomotive.com)

Customers and sector:  
**Mikel Orbegozo** [sales@cieautomotive.com](mailto:sales@cieautomotive.com)

Supply chain:  
**Irache Pardo** [purchasing@cieautomotive.com](mailto:purchasing@cieautomotive.com)

Financiers:  
**Irache Pardo** [financierocie@cieautomotive.com](mailto:financierocie@cieautomotive.com)

Public relations:  
[compliance@cieautomotive.com](mailto:compliance@cieautomotive.com)

MAILING ADDRESS

Any stakeholder so wishing may also write to the department in question at the following address:

**AIC – Automotive Intelligence Center.**  
**Parque Empresarial Boroa, Parcela 2A – 4, 48340 Amorebieta (Bizkaia), Spain.**

WHISTLE-BLOWING CHANNEL

Anyone can notify unethical conduct or breaches of the company's business ethics or any of the matters stipulated in CIE Automotive's Code of Professional Conduct through this channel.

Wistle-blowing channel e-mail inbox: [whistleblowerchannel@cieautomotive.com](mailto:whistleblowerchannel@cieautomotive.com)

Postal correspondence mailed to the Compliance Department at the following address:

**Alameda Mazarredo 69, 8º. 48009 Bilbao (Bizkaia), Spain.**

Information and communication channel on the [intranet](#) and on the [corporate website](#).

(\*) Similarly provided on the corporate website.



TRANSPARENCY

As part of its commitment to transparency, CIE Automotive reports on its performance along the economic, environmental, social and governance dimensions in an integrated Annual Report which has become an essential tool for understanding CIE Automotive's performance.

The quality of the information provided in the Annual Report has been acknowledged by *Informe Reporta*, an assessment of the quality of the reporting efforts of the companies listed on the Madrid stock exchange by analysing 36 indicators related with the principles of importance, relevance, transparency and accessibility. The 2021 Annual Report, which was published in February 2022, placed second on the *Informe Reporta* ranking, having climbed from 51<sup>st</sup> to 2<sup>nd</sup> position in recent years.

Tax Contribution Report

In 2021, the company started to publish a Tax Contribution Report, referred to 2020, a document written to provide vested parties with knowledge of its tax and community contributions, its community engagement strategy, its risk management policies and its approach to transfer pricing.

CIE Automotive 2021 Annual Report,  
published in 2022,  
was ranked second by *Informe Reporta*,  
having climbed nearly 50 spots in just a few years

TRANSPARENCY  
AWARDS

Award for Business Transparency from the  
Alejandro Echevarría Foundation

CIE Automotive was awarded the Business Transparency prize by the Future Communication - Alejandro Echevarría Foundation. That organisation singles out companies that communicate their organisations' basic principles in an honest and transparent manner.

Honourable Mention for business transparency  
in the twenty-first edition of the AECA Awards

In 2022, the Spanish Association of Business Accounting and Administration gave CIE Automotive an honourable mention in the twenty-first edition of its prizes for business transparency, specifically in the "Biggest improver of the year" among the IBEX-35 stocks category.

It is an established award, one that is highly valued in the business community, for corporate, financial and ESG reporting, including the information made available on the companies' websites and the social media.

To rank the candidates they are scored on the recommendations contained in the so-called Best Practices in Financial Reporting Online issued by AECA, as well as factoring in prevailing legislation on transparent reporting applicable to Spanish companies.

# About this report

## Methodology

This Annual Report provides comprehensive information about the performance of CIE Automotive, S.A. and its investees along the economic, financial, social, environmental and governance dimensions in 2022 in all of the countries in which it is present. The scope of the financial and non-financial information is, therefore, global.

In application of the comparability principle, prior-year information is provided. Note in that respect that on December 14th 2022, the Board of Directors of Mahindra CIE Automotive, Ltd. decided to put the Germany forging business up for sale (CIE Forging Germany GmbH and subsidiaries, formerly called Mahindra Forgings Europe AG), having received bids from potential buyers of the business. As of December 31st 2022, the group was still negotiating the sale of that subgroup.

Following that decision, the group reclassified the assets and liabilities associated with that business as a disposal group held for sale, likewise reclassifying the results of the businesses as discontinued operations in its statement of profit or loss. Upon reclassification, the group reassessed the fair value of the consolidated net assets of CIE Forging Germany, GmbH.

As required under applicable accounting standards, it recognised an impairment loss of €2.2 million in order to restate that business to fair value.

### How the non-financial information was prepared

CIE Automotive's 2022 Non-Financial Statement ("NFS") provides information about the performance of CIE Automotive, S.A. and its investees along with ESG dimensions during the reporting period in the countries in which it operates. For information about how the information provided correlates with the disclosure requirements stipulated in Spain's law on non-financial and diversity reporting, refer to section "Tracing compliance with the Law on non-financial information and diversity reporting".

The non-financial disclosures were prepared in keeping with the non-binding guidelines on non-financial reporting issued by the European Commission on 5 July 2017 (EU Guidelines 2017/C 215/01) and the GRI Standards.

This report has been independently assessed by PricewaterhouseCoopers, the same firm that audits the group's consolidated financial statements. The Audit and Compliance Committee is tasked with ensuring that firm's independence.

The non-financial information, which is part of the NFS, included in this report was compiled with the input and oversight of the heads of all of the various departments and areas:

- The Compliance Department is ultimately responsible for its preparation and coordination, albeit ably assisted by the Cross-Group ESG Committee.
- The Board of Directors is ultimately responsible for approving its issue, along with the management report. The Board of Directors is kept regularly abreast of the most significant environmental, social and governance matters by the ESG Committee.

This report expounds on the relevant topics identified in the course of the materiality analysis conducted with stakeholder groups between 2019 and 2022 (as detailed in section "Materiality" below), on account of their importance to the various stakeholders and the company itself.

To round out the information about the group's activities throughout the year, a number of other statutory reports are available for download on the **[corporate website](#)**: separate and consolidated annual financial statements and management report, Annual Corporate Governance Report and Annual Report on Board Remuneration, along with all of the presentations published about different aspects of the group or

in the specific website tabs devoted to specific stakeholder groups.

How the Annual Report was prepared

This report expounds on the relevant topics identified as a result of the materiality assessment conducted between 2019 and 2022 on the basis of questionnaires and analysis carried out to detect the topics deemed most important due either to their significance for the company and its stakeholders or due to the perception they are receiving insufficient management attention within the organisation.

Throughout the entire process of collecting and presenting its financial and non-financial information, CIE Automotive bears in mind the principles of transparency, materiality, comparability, timeliness, clarity and reliability needed to assure the quality of the information reported.

The techniques used to measure and calculate the data provided, along with any estimates made, are explained in the corresponding tables or chapters of the report as necessary to facilitate reader comprehension.

The Annual Report was compiled with the input and oversight of the heads of all of the various departments and areas. The Marketing and Communication Department is ultimately responsible for its preparation and coordination, albeit ably assisted by the Cross-Group ESG Committee.

Materiality

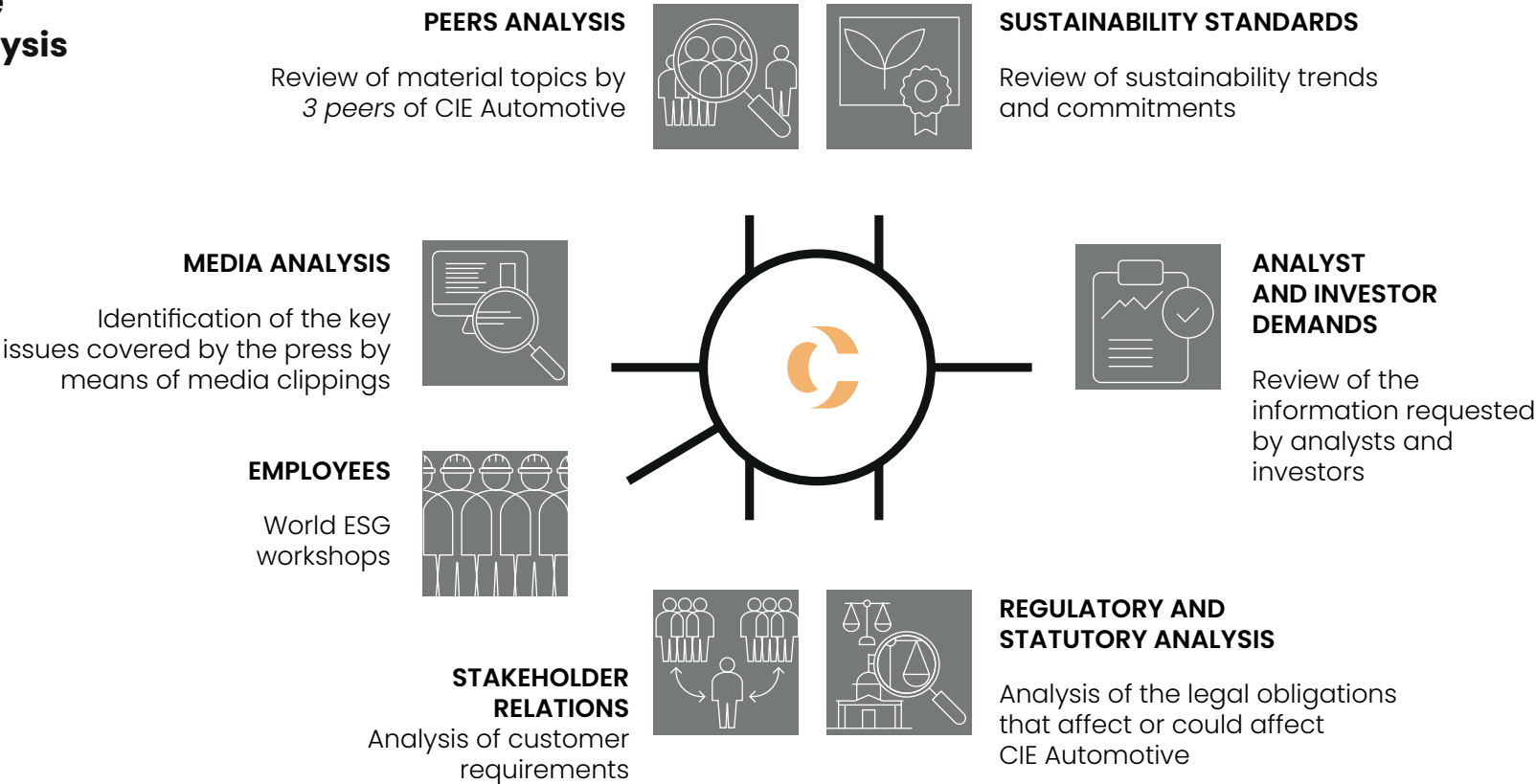
CIE Automotive’s 2022 Annual Report attempts to provide information about the matters deemed relevant to the company and its stakeholders.

In order to understand its stakeholders’ expectations and plan an appropriate response, between 2019 and 2022, CIE Automotive reviewed and updated the materiality assessment first prepared in 2017, when it identified which aspects were most important to both the company and the parties with a vested interest in its activities. To do so, it reached out to internal and external stakeholders and in 2022,

taking advantage of the ESG Day events organised, it also updated the materiality matrix to reflect internal perceptions about ESG topics.

To review and update the assessment, the company analysed the topics considered material for CIE Automotive, sustainability trends and commitments, media coverage, regulatory developments and the materiality analyses performed by peers. The update also factored in the demands of the analyst and investor communities, among other stakeholders.

How was the materiality analysis performed?





MATERIALITY ASSESSMENT:  
CALCULATING SIGNIFICANCE

The significance ascribed to each of the possible material topics as a result of the materiality assessment was calculated on the basis of two variables: importance with respect to each of the ESG categories analysed and weightings. The weightings were assigned as a function of the importance of the sources of information for CIE Automotive.

MATERIAL TOPICS IN 2022

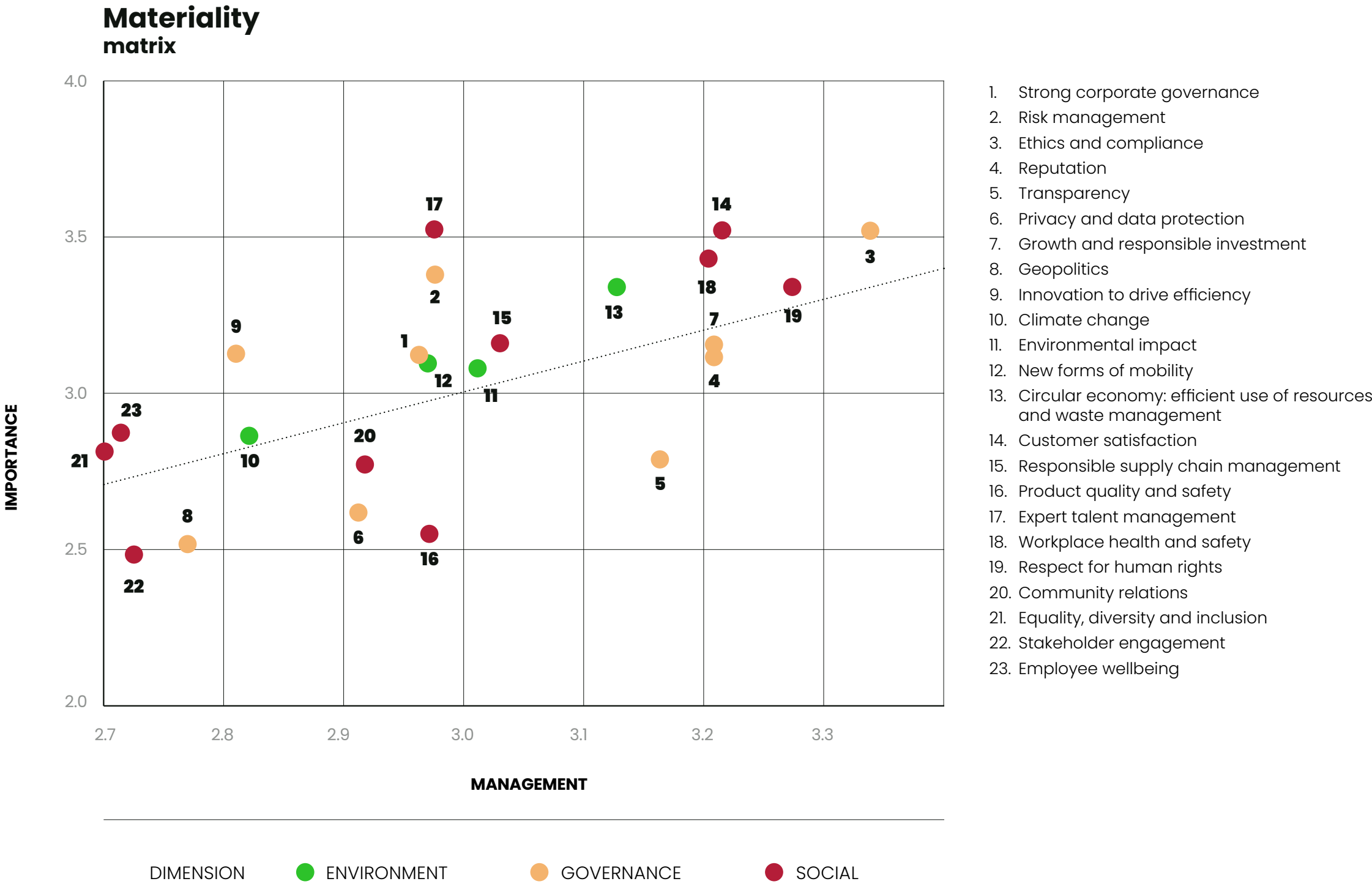
Following the most recent update, the relative relevance of certain topics has shifted. The topics that have come to the fore in terms of importance or concern are talent management; customer satisfaction; and workplace health and safety.

| MATERIAL TOPICS RANKED BY IMPORTANCE *                            |             |                 |                  |                  |
|-------------------------------------------------------------------|-------------|-----------------|------------------|------------------|
| TOPIC                                                             | DIMENSION   | OVERALL RANKING | INTERNAL RANKING | EXTERNAL RANKING |
| Expert talent management                                          | Social      | 1               | 1                | 2                |
| Risk management                                                   | Governance  | 2               | 12               | 1                |
| Innovation to drive efficiency                                    | Governance  | 3               | 8                | 3                |
| Customer satisfaction                                             | Social      | 4               | 2                | 10               |
| Workplace health and safety                                       | Social      | 5               | 3                | 11               |
| Circular economy: efficient use of resources and waste management | Environment | 6               | 10               | 6                |
| Ethics and compliance                                             | Governance  | 7               | 9                | 8                |
| Strong corporate governance                                       | Governance  | 8               | 16               | 5                |
| Employee wellbeing                                                | Social      | 9               | 14               | 7                |
| Responsible supply chain management                               | Social      | 10              | 7                | 12               |
| New forms of mobility                                             | Environment | 11              | 20               | 4                |
| Equality, diversity and inclusion                                 | Social      | 12              | 5                | 13               |
| Environmental impact                                              | Environment | 13              | 6                | 15               |
| Respect for human rights                                          | Social      | 14              | 4                | 16               |
| Climate change                                                    | Environment | 15              | 22               | 9                |
| Growth and responsible investment                                 | Governance  | 16              | 17               | 14               |
| Reputation                                                        | Governance  | 17              | 13               | 18               |
| Community relations                                               | Social      | 18              | 19               | 17               |
| Stakeholder engagement                                            | Social      | 19              | 11               | 21               |
| Geopolitics                                                       | Governance  | 20              | 21               | 19               |
| Privacy and data protection                                       | Governance  | 21              | 18               | 20               |
| Transparency                                                      | Governance  | 22              | 15               | 23               |
| Product quality and safety                                        | Social      | 23              | 23               | 22               |

(\*) The topics are ranked on a numeric scale from 1 to 23, 1 being the most important and 23, the least relevant

Materiality matrix

The importance ascribed to each material topic, coupled with the perception of how well each one is being managed, yielded the following materiality matrix, which in turn formed the basis of the 2025 Strategic Plan and the contents of this Annual Report:



# Contact details

|                   |                                                                                                  |
|-------------------|--------------------------------------------------------------------------------------------------|
| Registered name   | <b>CIE Automotive S.A.</b>                                                                       |
| Registered office | <b>Alameda Mazarredo, 69 – 8º<br/>48009 Bilbao, (Bizkaia).</b>                                   |
| Telephone number  | <b>+34 946 054 835 (Spain)</b>                                                                   |
| Website           | <b><a href="http://www.cieautomotive.com">www.cieautomotive.com</a></b>                          |
| Share capital     | <b>€30,637,500</b>                                                                               |
| No. of shares     | <b>122,550,000</b>                                                                               |
| Par value         | <b>€0.25€/share</b>                                                                              |
| Business activity | Manufacture of automotive parts.                                                                 |
| Markets           | CIE Automotive is present in 16 countries and its shares are listed on the Spanish stock market. |

|                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------|
| Dedicated channels for each stakeholder group:*                                                                                      |
| ESG and community relations:<br><b>Susana Molinuevo</b> <a href="mailto:esg@cieautomotive.com">esg@cieautomotive.com</a>             |
| Professionals:<br><b>Aitor Zazpe</b> <a href="mailto:hr@cieautomotive.com">hr@cieautomotive.com</a>                                  |
| Investor relations and business partners:<br><b>Lorea Aristizabal</b> <a href="mailto:ir@cieautomotive.com">ir@cieautomotive.com</a> |
| Customers and sector: :<br><b>Mikel Orbegoza</b> <a href="mailto:sales@cieautomotive.com">sales@cieautomotive.com</a>                |
| Supply chain:<br><b>Irache Pardo</b> <a href="mailto:purchasing@cieautomotive.com">purchasing@cieautomotive.com</a>                  |
| Financiers:<br><b>Irache Pardo</b> <a href="mailto:financierocie@cieautomotive.com">financierocie@cieautomotive.com</a>              |
| Public relations:<br><a href="mailto:compliance@cieautomotive.com">compliance@cieautomotive.com</a>                                  |



(\*) Also included on the corporate website.

# Data tables and glossary

## Employment tables

Total number and distribution of types of employment contracts

|                           | 2021          | 2022          |
|---------------------------|---------------|---------------|
| Indefinite contracts      | 21,365        | 21,112        |
| Temporary contracts       | 3,107         | 3,874         |
| <b>Total nº of people</b> | <b>24,472</b> | <b>24,986</b> |
| Full-time                 | 24,318        | 24,843        |
| Part-time                 | 154           | 143           |
| <b>Total nº of people</b> | <b>24,472</b> | <b>24,986</b> |

Total number and breakdown of employees by gender, age and job category

| 2021                 | Men (M)      |               |              | Total         | Women (W)    |              |            | Total        | TOTAL         |
|----------------------|--------------|---------------|--------------|---------------|--------------|--------------|------------|--------------|---------------|
|                      | <30          | 30-50         | >50          | M             | <30          | 30-50        | >50        | W            |               |
| Management Committee |              | 1             | 5            | 6             |              | 2            | 2          | 4            | 10            |
| Executives           | 8            | 594           | 259          | 861           | 7            | 79           | 18         | 104          | 965           |
| University graduates | 1,397        | 3,430         | 800          | 5,627         | 350          | 696          | 148        | 1,194        | 6,821         |
| Tradesmen and women  | 3,875        | 7,624         | 2,005        | 13,504        | 788          | 1,825        | 559        | 3,172        | 16,676        |
| <b>Total</b>         | <b>5,280</b> | <b>11,649</b> | <b>3,069</b> | <b>19,998</b> | <b>1,145</b> | <b>2,604</b> | <b>725</b> | <b>4,474</b> | <b>24,472</b> |

| 2022                 | Men (M)      |               |              | Total         | Women (W)    |              |            | Total        | TOTAL         |
|----------------------|--------------|---------------|--------------|---------------|--------------|--------------|------------|--------------|---------------|
|                      | <30          | 30-50         | >50          | M             | <30          | 30-50        | >50        | W            |               |
| Management Committee |              | 1             | 5            | 6             |              | 2            | 2          | 4            | 10            |
| Executives           | 10           | 601           | 258          | 869           | 7            | 83           | 20         | 110          | 979           |
| University graduates | 1,413        | 3,539         | 831          | 5,783         | 320          | 712          | 141        | 1,173        | 6,956         |
| Tradesmen and women  | 3,927        | 7,707         | 2,100        | 13,734        | 796          | 1,893        | 618        | 3,307        | 17,041        |
| <b>Total</b>         | <b>5,350</b> | <b>11,848</b> | <b>3,194</b> | <b>20,392</b> | <b>1,123</b> | <b>2,692</b> | <b>779</b> | <b>4,594</b> | <b>24,986</b> |

Total number and breakdown of employees by country

| Country        | 2021   | 2022   |
|----------------|--------|--------|
| Germany        | 817    | 793    |
| Brazil         | 2,662  | 2,901  |
| China          | 1,514  | 1,525  |
| Korea          | 1      | 2      |
| Slovakia       | 654    | 558    |
| Spain          | 2,296  | 2,315  |
| France         | 318    | 289    |
| Netherlands    | 4      | 4      |
| India          | 6,956  | 7,389  |
| Italy          | 443    | 429    |
| Lithuania      | 218    | 225    |
| Morocco        | 101    | 74     |
| Mexico         | 5,381  | 5,384  |
| Portugal       | 296    | 280    |
| Czech Republic | 607    | 560    |
| Romania        | 560    | 544    |
| Russia         | 65     | 42     |
| US             | 1,579  | 1,672  |
| TOTAL CIE      | 24,472 | 24,986 |

Average headcount during the year by permanent/temporary/part-time contracts by gender, age and job category

| 2021       | Men    | Women | Age   |        |       | Category   |                      |                     |
|------------|--------|-------|-------|--------|-------|------------|----------------------|---------------------|
|            |        |       | <30   | 30-50  | >50   | Executives | University graduates | Tradesmen and women |
| Indefinite | 17,511 | 3,854 | 4,314 | 13,349 | 3,702 | 969        | 6,380                | 14,016              |
| Temporary  | 2,487  | 620   | 2,111 | 904    | 92    | 6          | 441                  | 2,660               |
| Full-time  | 19,909 | 4,409 | 6,369 | 14,210 | 3,739 | 975        | 6,746                | 16,597              |
| Part-time  | 89     | 65    | 56    | 43     | 55    | 0          | 74                   | 79                  |

| 2022       | Men    | Women | Age |       |        | Category   |                      |                     |
|------------|--------|-------|-----|-------|--------|------------|----------------------|---------------------|
|            |        |       | <30 | 30-50 | >50    | Executives | University graduates | Tradesmen and women |
| Indefinite | 17,219 | 3,893 | 981 | 6,470 | 13,661 | 3,862      | 13,389               | 3,861               |
| Temporary  | 3,173  | 701   | 8   | 486   | 3,380  | 2,611      | 1,151                | 112                 |
| Full-time  | 20,300 | 4,543 | 987 | 6,899 | 16,957 | 6,426      | 14,502               | 3,915               |
| Part-time  | 92     | 51    | 2   | 57    | 84     | 47         | 38                   | 58                  |



Average earnings and trend broken down by gender, age, job category or equivalent metric

|      | Average annual pre-tax earnings* |        | Age       |        |           | Category   |                      |                     |
|------|----------------------------------|--------|-----------|--------|-----------|------------|----------------------|---------------------|
|      | Men                              | Women  | <30 years | 30-50  | >50 years | Executives | University graduates | Tradesmen and women |
| 2021 | 17,064                           | 15,796 | 8,040     | 16,864 | 32,143    | 62,221     | 20,821               | 12,637              |
| 2022 | 18,969                           | 17,997 | 8,837     | 18,883 | 35,166    | 65,514     | 22,424               | 14,618              |

*\*All of the average annual pre-tax earnings figures provided in the table above are calculated by summing the total number of people employed by CIE Automotive in the category provided in the breakdown, without considering their origin or place of work.*

Breakdown of hires and departures by age and gender

| 2021                           | Men under the age of 30 | Men aged between 30 and 50 | Men over the age of 50 | Total men | Women under the age of 30 | Women aged between 30 and 50 | Women over the age of 50 | Total women | Total |
|--------------------------------|-------------------------|----------------------------|------------------------|-----------|---------------------------|------------------------------|--------------------------|-------------|-------|
| New hires                      | 3,712                   | 1,725                      | 265                    | 5,702     | 804                       | 717                          | 119                      | 1,640       | 7,342 |
| Voluntary and other departures | 2,981                   | 1,586                      | 391                    | 4,958     | 642                       | 552                          | 119                      | 1,313       | 6,271 |

| 2022                           | Men under the age of 30 | Men aged between 30 and 50 | Men over the age of 50 | Total men | Women under the age of 30 | Women aged between 30 and 50 | Women over the age of 50 | Total women | Total  |
|--------------------------------|-------------------------|----------------------------|------------------------|-----------|---------------------------|------------------------------|--------------------------|-------------|--------|
| New hires                      | 5,819                   | 2,329                      | 357                    | 8,505     | 956                       | 962                          | 135                      | 2,053       | 10,558 |
| Voluntary and other departures | 4,649                   | 1,863                      | 475                    | 6,987     | 746                       | 756                          | 143                      | 1,645       | 8,632  |

Number of dismissals  
by gender, age  
and job category

| 2021                 | Men |       |     | Total | Women |       |     | Total | TOTAL |
|----------------------|-----|-------|-----|-------|-------|-------|-----|-------|-------|
|                      | <30 | 30-50 | >50 | M     | <30   | 30-50 | >50 | W     |       |
| Executives           | 0   | 9     | 11  | 20    | 0     | 1     | 0   | 1     | 21    |
| University graduates | 92  | 222   | 42  | 356   | 33    | 50    | 5   | 88    | 444   |
| Tradesmen and women  | 436 | 430   | 76  | 942   | 78    | 129   | 15  | 222   | 1,164 |
| Total                | 528 | 661   | 129 | 1,318 | 111   | 180   | 20  | 311   | 1,629 |

| 2022                 | Men |       |     | Total | Women |       |     | Total | TOTAL |
|----------------------|-----|-------|-----|-------|-------|-------|-----|-------|-------|
|                      | <30 | 30-50 | >50 | M     | <30   | 30-50 | >50 | W     |       |
| Executives           | 0   | 15    | 6   | 21    | 0     | 3     | 1   | 4     | 25    |
| University graduates | 62  | 165   | 35  | 262   | 29    | 39    | 8   | 76    | 338   |
| Tradesmen and women  | 427 | 328   | 81  | 836   | 82    | 106   | 29  | 217   | 1,053 |
| Total                | 489 | 508   | 122 | 1,119 | 111   | 148   | 38  | 297   | 1,416 |

Environmental  
management  
tables

Water discharge | Indicator 303-4

| m³/year               | Definition       | 2022      |
|-----------------------|------------------|-----------|
| Europe*               | To sewer         | 138,576.0 |
|                       | To river         | 21,026.0  |
|                       | To waste manager | 37,140.0  |
|                       | Total            | 196,742.0 |
| North America         | To sewer         | 103,271.9 |
|                       | To river         | -         |
|                       | To waste manager | 2,390.2   |
|                       | total            | 105,662.1 |
| Brazil                | To sewer         | 81,367.0  |
|                       | To river         | 937.0     |
|                       | To waste manager | 8,236.3   |
|                       | Total            | 90,540.3  |
| Asia<br>(India/China) | To sewer         | 3,157.0   |
|                       | To river         | 19,262.0  |
|                       | To waste manager | 46,685.6  |
|                       | Total            | 69,104.6  |
| TOTAL                 | To sewer         | 326,371.9 |
|                       | To river         | 41,225.0  |
|                       | To waste manager | 94,452.1  |
|                       | Total            | 462,049.0 |

\* The Europe region includes the factories located in Morocco and Russia.

Water extraction & consumption | Indicators 303-3 / 303-5

| m³/year               | Definition     | 2020         | 2021          | 2022          |
|-----------------------|----------------|--------------|---------------|---------------|
| Europe*               | Superficial    | 31,385.00    | 28,161.00     | 27,878.00     |
|                       | Ground water   | 36,803.00    | 33,956.00     | 51,575.00     |
|                       | Rain water     | 26,441.00    | 4,386.00      | 5,067.00      |
|                       | Water net      | 303,515.00   | 322,045.00    | 337,399.37    |
|                       | Water used     | 398,144.00   | 388,548.00    | 421,919.37    |
|                       | Recycled water | NA           | 26,108,223.00 | 25,164,758.00 |
| North America         | Superficial    | -            | 11,002.00     | 7,892.00      |
|                       | Ground water   | 59,079.00    | 59,471.00     | 56,700.00     |
|                       | Rain water     | -            | -             | -             |
|                       | Water net      | 224,587.78   | 262,656.55    | 267,266.95    |
|                       | Water used     | 283,666.78   | 333,129.55    | 331,858.95    |
|                       | Recycled water | NA           | 12,332,109.90 | 11,606,284.64 |
| Brazil                | Superficial    | 14,242.00    | -             | -             |
|                       | Ground water   | 56,906.00    | 49,665.00     | 51,603.00     |
|                       | Rain water     | -            | -             | -             |
|                       | Water net      | 104,723.00   | 149,215.00    | 143,775.48    |
|                       | Water used     | 175,871.00   | 198,880.00    | 195,378.48    |
|                       | Recycled water | NA           | 4,939,268.45  | 4,488,026.00  |
| Asia<br>(India/China) | Superficial    | 236,591.00   | 157,053.00    | 207,430.00    |
|                       | Ground water   | 185,606.00   | 203,057.20    | 201,470.60    |
|                       | Rain water     | 3,845.00     | 14,456.00     | 5,211.00      |
|                       | Water net      | 167,165.00   | 303,752.43    | 293,900.75    |
|                       | Water used     | 593,207.00   | 678,318.63    | 708,012.3     |
|                       | Recycled water | NA           | 20,824,532.45 | 14,956,076.60 |
| TOTAL                 | Superficial    | 282,218.00   | 196,216.00    | 243,200.00    |
|                       | Ground water   | 338,394.00   | 346,149.20    | 361,348.60    |
|                       | Rain water     | 30,286.00    | 18,842.00     | 10,278.00     |
|                       | Water net      | 799,990.78   | 1,037,668.98  | 1,042,342.55  |
|                       | Water used     | 1,450,888.78 | 1,598,876.18  | 1,657,169.15  |
|                       | Recycled water | NA           | 64,204,133.80 | 56,215,145.24 |

\* The Europe region includes the factories located in Morocco and Russia.

Material consumption

| Kg                    | Indicator | Definition           | 2020             | 2021             | 2022             |
|-----------------------|-----------|----------------------|------------------|------------------|------------------|
| Europe*               | GRI 301-1 | Raw material used    | 383,474,092.00   | 444,062,256.00   | 220,886,068.00   |
|                       | GRI 301-2 | Raw material re-used | 145,243,605.00   | 194,921,354.00   | 132,819,613.00   |
|                       |           |                      | 38%              | 44%              | 60%              |
| North America         | GRI 301-1 | Raw material used    | 300,490,431.00   | 327,388,797.24   | 255,702,164.58   |
|                       | GRI 301-2 | Raw material re-used | 9,820,027.00     | 12,811,068.86    | 79,101,244.42    |
|                       |           |                      | 3%               | 4%               | 31%              |
| Brazil                | GRI 301-1 | Raw material used    | 152,235,258.00   | 169,957,386.00   | 94,617,087.00    |
|                       | GRI 301-2 | Raw material re-used | 54,837,125.00    | 71,633,082.00    | 75,512,528.00    |
|                       |           |                      | 36%              | 42%              | 80%              |
| Asia<br>(India/China) | GRI 301-1 | Raw material used    | 434,487,453.00   | 506,635,270.00   | 659,168,858.00   |
|                       | GRI 301-2 | Raw material re-used | 91,092,000.00    | 116,362,976.00   | 263,760,467.00   |
|                       |           |                      | 21%              | 23%              | 40               |
| TOTAL                 | GRI 301-1 | Raw material used    | 1,270,687,234.00 | 1,448,043,709.24 | 1,230,374,177.68 |
|                       | GRI 301-2 | Raw material re-used | 300,992,757.00   | 395,728,480.86   | 551,193,852.42   |
|                       |           |                      | 24%              | 27%              | 45%              |

\* The Europe region includes the factories located in Morocco and Russia.

**Waste management (i)** | Indicators 306-3 / 306-4 / 306-5

| Tonne         | Definition                                                    | 2020             | 2021              | 2022              |
|---------------|---------------------------------------------------------------|------------------|-------------------|-------------------|
| Europe*       | Industrial waste treated hazardous                            | 9,240.72         | 9,675.30          | 9,622.18          |
|               | Hazardous waste to recycling                                  | NA               | 5,270.71          | 4,547.90          |
|               | Hazardous waste to disposal                                   | NA               | 4,404.59          | 5,074.29          |
|               | Hazardous waste to incineration (with energy recovery)        | NA               | 1,832.54          | 1,878.69          |
|               | Hazardous waste to incineration (without energy recovery)     | NA               | 126.66            | -                 |
|               | Hazardous waste to landfilling                                | NA               | 1,123.19          | 2,221.51          |
|               | Hazardous waste to other disposal operation                   | NA               | 1,322.20          | 974.09            |
|               | Industrial waste treated no-hazardous                         | 82,926.86        | 109,328.78        | 97,429.59         |
|               | Non-hazardous waste to recycling                              | NA               | 108,288.73        | 96,549.70         |
|               | Non-hazardous waste to disposal                               | NA               | 1,040.05          | 879.89            |
|               | Non-hazardous waste to incineration (with energy recovery)    | NA               | 69.54             | 207.36            |
|               | Non-hazardous waste to incineration (without energy recovery) | NA               | -                 | -                 |
|               | Non-Hazardous waste to landfilling                            | NA               | 555.96            | 408.54            |
|               | Non-hazardous waste to other disposal operation               | NA               | 414.55            | 263.99            |
|               | <b>TOTAL</b>                                                  | <b>92,167.58</b> | <b>119,004.08</b> | <b>107,051.77</b> |
| North America | Industrial waste treated hazardous                            | 3,126.86         | 3,063.98          | 3,319.31          |
|               | Hazardous waste to recycling                                  | NA               | 1,707.53          | 1,983.72          |
|               | Hazardous waste to disposal                                   | NA               | 1,356.42          | 1,335.59          |
|               | Hazardous waste to incineration (with energy recovery)        | NA               | 364.31            | 914.85            |
|               | Hazardous waste to incineration (without energy recovery)     | NA               | 30.14             | 0.32              |
|               | Hazardous waste to landfilling                                | NA               | 655.03            | 52.01             |
|               | Hazardous waste to other disposal operation                   | NA               | 306.97            | 286.46            |
|               | Industrial waste treated no-hazardous                         | 68,823.73        | 71,173.13         | 70,468.35         |
|               | Non-hazardous waste to recycling                              | NA               | 69,349.60         | 69,813.95         |
|               | Non-hazardous waste to disposal                               | NA               | 1,823.53          | 654.40            |
|               | Non-hazardous waste to incineration (with energy recovery)    | NA               | 47.73             | 503.21            |
|               | Non-hazardous waste to incineration (without energy recovery) | NA               | -                 | -                 |
|               | Non-Hazardous waste to landfilling                            | NA               | 1,675.94          | 110.18            |
|               | Non-hazardous waste to other disposal operation               | NA               | 99.85             | 19.07             |
|               | <b>TOTAL</b>                                                  | <b>71,950.59</b> | <b>74,237.11</b>  | <b>73,787.66</b>  |

\* The Europe region includes the factories located in Morocco and Russia.



**Waste management (II)** | Indicators 306-3 / 306-4 / 306-5

| Tonne                 | Definition                                                    | 2020             | 2021              | 2022              |
|-----------------------|---------------------------------------------------------------|------------------|-------------------|-------------------|
| Brazil                | Industrial waste treated hazardous                            | 2,155.99         | 1,072.04          | 1,825.21          |
|                       | Hazardous waste to recycling                                  | NA               | 512.93            | 904.23            |
|                       | Hazardous waste to disposal                                   | NA               | 559.11            | 920.99            |
|                       | Hazardous waste to incineration (with energy recovery)        | NA               | 520.61            | 909.22            |
|                       | Hazardous waste to incineration (without energy recovery)     | NA               | -                 | -                 |
|                       | Hazardous waste to landfilling                                | NA               | 35.02             | -                 |
|                       | Hazardous waste to other disposal operation                   | NA               | 3.48              | 11.76             |
|                       | Industrial waste treated no-hazardous                         | 37,774.96        | 58,383.90         | 53,868.98         |
|                       | Non-hazardous waste to recycling                              | NA               | 29,719.02         | 29,685.54         |
|                       | Non-hazardous waste to disposal                               | NA               | 28,664.88         | 24,183.44         |
|                       | Non-hazardous waste to incineration (with energy recovery)    | NA               | 6,286.96          | 172.86            |
|                       | Non-hazardous waste to incineration (without energy recovery) | NA               | -                 | 14.53             |
|                       | Non-Hazardous waste to landfilling                            | NA               | 22,201.59         | 23,990.64         |
|                       | Non-hazardous waste to other disposal operation               | NA               | 176.33            | -                 |
|                       | <b>TOTAL</b>                                                  | <b>39,930.95</b> | <b>59,455.95</b>  | <b>55,694.19</b>  |
| Asia<br>(India/China) | Industrial waste treated hazardous                            | 1,805.63         | 3,646.55          | 2,695.35          |
|                       | Hazardous waste to recycling                                  | NA               | 2,041.86          | 1,298.62          |
|                       | Hazardous waste to disposal                                   | NA               | 1,604.10          | 1,396.73          |
|                       | Hazardous waste to incineration (with energy recovery)        | NA               | 253.59            | 271.36            |
|                       | Hazardous waste to incineration (without energy recovery)     | NA               | 560.94            | 372.55            |
|                       | Hazardous waste to landfilling                                | NA               | 723.22            | 513.23            |
|                       | Hazardous waste to other disposal operation                   | NA               | 66.94             | 237.17            |
|                       | Industrial waste treated no-hazardous                         | 76,512.47        | 116,407.43        | 102,540.99        |
|                       | Non-hazardous waste to recycling                              | NA               | 86,295.44         | 74,278.61         |
|                       | Non-hazardous waste to disposal                               | NA               | 30,111.99         | 28,262.38         |
|                       | Non-hazardous waste to incineration (with energy recovery)    | NA               | 26.49             | 374.77            |
|                       | Non-hazardous waste to incineration (without energy recovery) | NA               | 231.65            | -                 |
|                       | Non-Hazardous waste to landfilling                            | NA               | 28,049.32         | 26,279.68         |
|                       | Non-hazardous waste to other disposal operation               | NA               | 1,804.54          | 89.88             |
|                       | <b>TOTAL</b>                                                  | <b>78,318.10</b> | <b>120,053.98</b> | <b>105,236.34</b> |

Waste management (III) | Indicators 306-3 / 306-4 / 306-5

| Tonne | Definition                                                    | 2020       | 2021       | 2022       |
|-------|---------------------------------------------------------------|------------|------------|------------|
| TOTAL | Industrial waste treated hazardous                            | 16,329.20  | 17,457.88  | 17,462.06  |
|       | Hazardous waste to recycling                                  | NA         | 9,533.03   | 8,734.47   |
|       | Hazardous waste to disposal                                   | NA         | 7,924.23   | 8,727.59   |
|       | Hazardous waste to incineration (with energy recovery)        | NA         | 2,971.05   | 4,056.08   |
|       | Hazardous waste to incineration (without energy recovery)     | NA         | 717.74     | 372.87     |
|       | Hazardous waste to landfilling                                | NA         | 2,536.45   | 2,786.74   |
|       | Hazardous waste to other disposal operation                   | NA         | 1,699.60   | 1,509.49   |
|       | Industrial waste treated no-hazardous                         | 266,038.02 | 355,293.24 | 324,307.90 |
|       | Non-hazardous waste to recycling                              | NA         | 293,652.79 | 270,327.79 |
|       | Non-hazardous waste to disposal                               | NA         | 61,640.45  | 53,980.11  |
|       | Non-hazardous waste to incineration (with energy recovery)    | NA         | 6,430.72   | 1,285.56   |
|       | Non-hazardous waste to incineration (without energy recovery) | NA         | 231.65     | 14.53      |
|       | Non-Hazardous waste to landfilling                            | NA         | 52,482.81  | 52,307.09  |
|       | Non-hazardous waste to other disposal operation               | NA         | 2,495.27   | 372.94     |
|       | TOTAL                                                         | 282,367.22 | 372,751.12 | 341,769.96 |

## Energy consumption and savings

| Gigajoules            | Indicator | Definition                                             | 2020                | 2021                | 2022                |
|-----------------------|-----------|--------------------------------------------------------|---------------------|---------------------|---------------------|
| Europe*               | GRI 302-1 | Direct energy consumption                              | 639,301.96          | 727,697.13          | 684,542.06          |
|                       | GRI 302-1 | Indirect energy consumption                            | 1,160,924.20        | 1,288,375.69        | 1,317,155.20        |
|                       | GRI 302-1 | Indirect energy consumption from non-renewable sources | 401,043.59          | 317,015.31          | 292,781.58          |
|                       | GRI 302-1 | Indirect energy consumption from renewable sources     | 759,880.62          | 971,360.38          | 1,024,373.62        |
|                       | GRI 302-1 | <b>TOTAL</b>                                           | <b>1,800,226.16</b> | <b>2,016,072.83</b> | <b>2,001,697.26</b> |
| North America         | GRI 302-1 | Direct energy consumption                              | 426,553.41          | 627,666.59          | 479,326.72          |
|                       | GRI 302-1 | Indirect energy consumption                            | 693,956.78          | 758,008.54          | 723,449.87          |
|                       | GRI 302-1 | Indirect energy consumption from non-renewable sources | 537,472.46          | 625,774.54          | 626,687.21          |
|                       | GRI 302-1 | Indirect energy consumption from renewable sources     | 156,484.32          | 132,234.00          | 96,762.66           |
|                       | GRI 302-1 | <b>TOTAL</b>                                           | <b>1,120,510.19</b> | <b>1,385,675.13</b> | <b>1,202,776.59</b> |
| Brazil                | GRI 302-1 | Direct energy consumption                              | 153,633.44          | 176,688.22          | 180,991.24          |
|                       | GRI 302-1 | Indirect energy consumption                            | 536,138.85          | 644,943.72          | 649,376.71          |
|                       | GRI 302-1 | Indirect energy consumption from non-renewable sources | 41,090.25           | 22,877.65           | 13,189.34           |
|                       | GRI 302-1 | Indirect energy consumption from renewable sources     | 495,048.60          | 622,066.07          | 636,187.37          |
|                       | GRI 302-1 | <b>TOTAL</b>                                           | <b>689,772.29</b>   | <b>821,631.93</b>   | <b>830,367.95</b>   |
| Asia<br>(India/China) | GRI 302-1 | Direct energy consumption                              | 302,183.16          | 390,601.12          | 350,200.72          |
|                       | GRI 302-1 | Indirect energy consumption                            | 949,276.73          | 1,193,745.79        | 1,242,225.10        |
|                       | GRI 302-1 | Indirect energy consumption from non-renewable sources | 795,005.82          | 1,005,338.28        | 763,145.19          |
|                       | GRI 302-1 | Indirect energy consumption from renewable sources     | 154,270.91          | 188,407.51          | 479,079.91          |
|                       | GRI 302-1 | <b>TOTAL</b>                                           | <b>1,251,459.89</b> | <b>1,584,346.91</b> | <b>1,592,425.82</b> |
| <b>TOTAL</b>          | GRI 302-1 | Direct energy consumption                              | 1,521,671.97        | 1,922,653.06        | 1,695,060.74        |
|                       | GRI 302-1 | Indirect energy consumption                            | 3,340,296.56        | 3,885,073.74        | 3,932,206.88        |
|                       | GRI 302-1 | Indirect energy consumption from non-renewable sources | 1,774,612.12        | 1,971,005.79        | 1,695,803.31        |
|                       | GRI 302-1 | Indirect energy consumption from renewable sources     | 1,565,684.45        | 1,914,067.96        | 2,236,403.56        |
|                       | GRI 302-1 | <b>TOTAL</b>                                           | <b>4,861,968.53</b> | <b>5,807,726.80</b> | <b>5,627,267.62</b> |

\* The Europe region includes the factories located in Morocco and Russia.

**Emissions (scope 1, 2 & 3)**

|                       | Indicator      | Definition                         | Unit                    | 2020              | 2021              | 2022              |
|-----------------------|----------------|------------------------------------|-------------------------|-------------------|-------------------|-------------------|
| Europe*               | GRI 305-1      | Direct emissions                   | T CO <sub>2</sub>       | 37,934.40         | 43,281.83         | 40,682.69         |
|                       | GRI 305-1      | Direct CH <sub>4</sub> emissions   | T CH <sub>4</sub>       | -                 | 0.79              | 0.73              |
|                       | GRI 305-1      | Direct N <sub>2</sub> O emissions  | T N <sub>2</sub> O      | -                 | 0.09              | 0.08              |
|                       | GRI 305-2      | Indirect CO <sub>2</sub> emissions | T CO <sub>2</sub>       | 38,420.00         | 34,671.25         | 30,631.95         |
|                       | <b>GRI 305</b> | <b>TOTAL</b>                       | <b>T CO<sub>2</sub></b> | <b>76,354.40</b>  | <b>77,953.09</b>  | <b>71,314.64</b>  |
|                       | GRI 305-3      | Other indirect emissions (Scope 3) | T CO <sub>2</sub>       | -                 | 1,205,714.93      | 857,039.84        |
| North America         | GRI 305-1      | Direct emissions                   | T CO <sub>2</sub>       | 25,340.46         | 37,285.26         | 28,533.91         |
|                       | GRI 305-1      | Direct CH <sub>4</sub> emissions   | T CH <sub>4</sub>       | -                 | 0.72              | 0.57              |
|                       | GRI 305-1      | Direct N <sub>2</sub> O emissions  | T N <sub>2</sub> O      | -                 | 0.09              | 0.07              |
|                       | GRI 305-2      | Indirect CO <sub>2</sub> emissions | T CO <sub>2</sub>       | 85,385.01         | 99,045.49         | 100,391.61        |
|                       | <b>GRI 305</b> | <b>TOTAL</b>                       | <b>T CO<sub>2</sub></b> | <b>110,725.48</b> | <b>136,330.75</b> | <b>128,925.51</b> |
|                       | GRI 305-3      | Other indirect emissions (Scope 3) | T CO <sub>2</sub>       | -                 | 949,779.07        | 860,801.02        |
| Brazil                | GRI 305-1      | Direct emissions                   | T CO <sub>2</sub>       | 9,191.82          | 10,568.18         | 10,826.19         |
|                       | GRI 305-1      | Direct CH <sub>4</sub> emissions   | T CH <sub>4</sub>       | -                 | 0.23              | 0.23              |
|                       | GRI 305-1      | Direct N <sub>2</sub> O emissions  | T N <sub>2</sub> O      | -                 | 0.03              | 0.03              |
|                       | GRI 305-2      | Indirect CO <sub>2</sub> emissions | T CO <sub>2</sub>       | 477.10            | 265.61            | 153.13            |
|                       | <b>GRI 305</b> | <b>TOTAL</b>                       | <b>T CO<sub>2</sub></b> | <b>9,668.92</b>   | <b>10,833.79</b>  | <b>10,979.32</b>  |
|                       | GRI 305-3      | Other indirect emissions (Scope 3) | T CO <sub>2</sub>       | -                 | 344,183.92        | 336,084.75        |
| Asia<br>(India/China) | GRI 305-1      | Direct emissions                   | T CO <sub>2</sub>       | 18,392.44         | 23,625.35         | 21,110.23         |
|                       | GRI 305-1      | Direct CH <sub>4</sub> emissions   | T CH <sub>4</sub>       | -                 | 0.75              | 0.67              |
|                       | GRI 305-1      | Direct N <sub>2</sub> O emissions  | T N <sub>2</sub> O      | -                 | 0.13              | 0.12              |
|                       | GRI 305-2      | Indirect CO <sub>2</sub> emissions | T CO <sub>2</sub>       | 200,134.86        | 255,494.97        | 192,985.78        |
|                       | <b>GRI 305</b> | <b>TOTAL</b>                       | <b>T CO<sub>2</sub></b> | <b>218,527.30</b> | <b>279,120.32</b> | <b>214,096.01</b> |
|                       | GRI 305-3      | Other indirect emissions (Scope 3) | T CO <sub>2</sub>       | -                 | 1,139,204.53      | 1,837,279.39      |
| <b>TOTAL</b>          | GRI 305-1      | Direct emissions                   | T CO <sub>2</sub>       | 90,859.13         | 114,760.62        | 101,153.03        |
|                       | GRI 305-1      | Direct CH <sub>4</sub> emissions   | T CH <sub>4</sub>       | -                 | 1.69              | 1.47              |
|                       | GRI 305-1      | Direct N <sub>2</sub> O emissions  | T N <sub>2</sub> O      | -                 | 0.25              | 0.22              |
|                       | GRI 305-2      | Indirect CO <sub>2</sub> emissions | T CO <sub>2</sub>       | 324,416.97        | 389,477.33        | 324,162.47        |
|                       | <b>GRI 305</b> | <b>TOTAL</b>                       | <b>T CO<sub>2</sub></b> | <b>415,276.10</b> | <b>504,237.95</b> | <b>425,315.48</b> |
|                       | GRI 305-3      | Other indirect emissions (Scope 3) | T CO <sub>2</sub>       | -                 | 3,638,882.44      | 3,891,205.00      |

\* The Europe region includes the factories located in Morocco and Russia.

The emissions savings from the purchase of energy from renewable sources are shown below.

| T CO <sub>2</sub>  | Indicator | Definition         | 2020       | 2021       | 2022       |
|--------------------|-----------|--------------------|------------|------------|------------|
| Europe*            | GRI 305-2 | Indirect emissions | 44,614.45  | 56,762.67  | 61,007.34  |
| North America      | GRI 305-2 | Indirect emissions | 28,736.36  | 24,040.29  | 17,365.75  |
| Brazil             | GRI 305-2 | Indirect emissions | 5,748.06   | 7,222.30   | 7,386.25   |
| Asia (India/China) | GRI 305-2 | Indirect emissions | 42,287.37  | 51,315.23  | 131,055.11 |
| TOTAL              | GRI 305-2 | Indirect emissions | 121,386.24 | 139,340.49 | 216,814.45 |

\* The Europe region includes the factories located in Morocco and Russia.



Energy intensity

| Gigajoules/€k      | Indicator | Definición                                             | 2020 | 2021 | 2022 |
|--------------------|-----------|--------------------------------------------------------|------|------|------|
| Europe*            | GRI 302-3 | Direct energy consumption                              | 0.54 | 0.58 | 0.45 |
|                    | GRI 302-3 | Indirect energy consumption                            | 0.97 | 1.02 | 0.86 |
|                    | GRI 302-3 | Indirect energy consumption from non-renewable sources | 0.34 | 0.25 | 0.19 |
|                    | GRI 302-3 | Indirect energy consumption from renewable sources     | 0.64 | 0.77 | 0.67 |
|                    | GRI 302-3 | TOTAL                                                  | 1.51 | 1.60 | 1.31 |
| North America      | GRI 302-3 | Direct energy consumption                              | 0.58 | 0.70 | 0.41 |
|                    | GRI 302-3 | Indirect energy consumption                            | 0.94 | 0.84 | 0.61 |
|                    | GRI 302-3 | Indirect energy consumption from non-renewable sources | 0.72 | 0.69 | 0.53 |
|                    | GRI 302-3 | Indirect energy consumption from renewable sources     | 0.21 | 0.15 | 0.08 |
|                    | GRI 302-3 | TOTAL                                                  | 1.51 | 1.54 | 1.02 |
| Brazil             | GRI 302-3 | Direct energy consumption                              | 0.83 | 0.82 | 0.58 |
|                    | GRI 302-3 | Indirect energy consumption                            | 2.89 | 2.99 | 2.09 |
|                    | GRI 302-3 | Indirect energy consumption from non-renewable sources | 0.22 | 0.11 | 0.04 |
|                    | GRI 302-3 | Indirect energy consumption from renewable sources     | 2.67 | 2.88 | 2.04 |
|                    | GRI 302-3 | TOTAL                                                  | 3.72 | 3.81 | 2.67 |
| Asia (India/China) | GRI 302-3 | Direct energy consumption                              | 0.40 | 0.44 | 0.33 |
|                    | GRI 302-3 | Indirect energy consumption                            | 1.25 | 1.34 | 1.18 |
|                    | GRI 302-3 | Indirect energy consumption from non-renewable sources | 1.05 | 1.13 | 0.73 |
|                    | GRI 302-3 | Indirect energy consumption from renewable sources     | 0.20 | 0.21 | 0.46 |
|                    | GRI 302-3 | TOTAL                                                  | 1.65 | 1.78 | 1.59 |
| TOTAL              | GRI 302-3 | Direct energy consumption                              | 0.53 | 0.59 | 0.42 |
|                    | GRI 302-3 | Indirect energy consumption                            | 1.16 | 1.19 | 0.97 |
|                    | GRI 302-3 | Indirect energy consumption from non-renewable sources | 0.62 | 0.60 | 0.42 |
|                    | GRI 302-3 | Indirect energy consumption from renewable sources     | 0.54 | 0.59 | 0.55 |
|                    | GRI 302-3 | TOTAL                                                  | 1.69 | 1.78 | 1.38 |

\* The Europe region includes the factories located in Morocco and Russia.

Emissions intensity

| T CO <sub>2</sub> /€k | Indicator | Definition         | 2020 | 2021 | 2022 |
|-----------------------|-----------|--------------------|------|------|------|
| Europe*               | GRI 305-4 | Direct emissions   | 0.03 | 0.03 | 0.03 |
|                       | GRI 305-4 | Indirect emissions | 0.03 | 0.03 | 0.02 |
|                       | GRI 305-4 | TOTAL              | 0.06 | 0.06 | 0.05 |
| North America         | GRI 305-4 | Direct emissions   | 0.03 | 0.04 | 0.02 |
|                       | GRI 305-4 | Indirect emissions | 0.12 | 0.11 | 0.09 |
|                       | GRI 305-4 | TOTAL              | 0.15 | 0.15 | 0.11 |
| Brazil                | GRI 305-4 | Direct emissions   | 0.05 | 0.05 | 0.03 |
|                       | GRI 305-4 | Indirect emissions | 0.00 | 0.00 | 0.00 |
|                       | GRI 305-4 | TOTAL              | 0.05 | 0.05 | 0.04 |
| Asia<br>(India/China) | GRI 305-4 | Direct emissions   | 0.02 | 0.03 | 0.02 |
|                       | GRI 305-4 | Indirect emissions | 0.26 | 0.29 | 0.18 |
|                       | GRI 305-4 | TOTAL              | 0.29 | 0.31 | 0.20 |
| TOTAL                 | GRI 305-4 | Direct emissions   | 0.03 | 0.04 | 0.02 |
|                       | GRI 305-4 | Indirect emissions | 0.11 | 0.12 | 0.08 |
|                       | GRI 305-4 | TOTAL              | 0.14 | 0.16 | 0.10 |

\* The Europe region includes the factories located in Morocco and Russia.

Template Annex II COMMISSION DELEGATED REGULATION (EU) 2021/2178 of 6 July 2021 (1)

| Economic activities                                                                                                   | Code <sup>1</sup> | Absolute CapEx [€m] <sup>2</sup> | Proportion of CapEx [%] <sup>3</sup> | Substantial contribution criteria <sup>4</sup> |                               | DNSH criteria <sup>5</sup>      |                                 |                                  |                        |                 |                                   |                                       |    |    |   | Taxonomy -aligned proportion of CapEx, year 2022 [%] | Taxonomy -aligned proportion of CapEx, year 2021 [%] | ¿Enabling activity? (E) <sup>7</sup> | ¿Transitional activity? (T) <sup>8</sup> |
|-----------------------------------------------------------------------------------------------------------------------|-------------------|----------------------------------|--------------------------------------|------------------------------------------------|-------------------------------|---------------------------------|---------------------------------|----------------------------------|------------------------|-----------------|-----------------------------------|---------------------------------------|----|----|---|------------------------------------------------------|------------------------------------------------------|--------------------------------------|------------------------------------------|
|                                                                                                                       |                   |                                  |                                      | Climate change mitigation [%]                  | Climate change adaptation [%] | Climate change mitigation (Y/N) | Climate change adaptation (Y/N) | Water and marine resources (Y/N) | Circular economy (Y/N) | Pollution (Y/N) | Biodiversity and ecosystems (Y/N) | Minimum safeguards (Y/N) <sup>6</sup> |    |    |   |                                                      |                                                      |                                      |                                          |
| A. TAXONOMY-ELIGIBLE ACTIVITIES                                                                                       |                   |                                  |                                      |                                                |                               |                                 |                                 |                                  |                        |                 |                                   |                                       |    |    |   |                                                      |                                                      |                                      |                                          |
| A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED) <sup>9</sup>                                           |                   |                                  |                                      |                                                |                               |                                 |                                 |                                  |                        |                 |                                   |                                       |    |    |   |                                                      |                                                      |                                      |                                          |
| CapEx of environmentally sustainable activities (Taxonomy-aligned) A.1.                                               |                   | 0                                | 0%                                   | NA                                             | NA                            | NA                              | NA                              | NA                               | NA                     | NA              | NA                                | NA                                    | 0% | 0% | 0 | 0                                                    |                                                      |                                      |                                          |
| A.2. TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES) <sup>10</sup> |                   |                                  |                                      |                                                |                               |                                 |                                 |                                  |                        |                 |                                   |                                       |    |    |   |                                                      |                                                      |                                      |                                          |
| Installation, maintenance and repair of energy efficiency equipment                                                   | 7.3.              | 357                              | 0.13%                                |                                                |                               |                                 |                                 |                                  |                        |                 |                                   |                                       |    |    |   |                                                      |                                                      |                                      |                                          |
| Installation, maintenance and repair of renewable energy technologies                                                 | 7.6.              | 1,007                            | 0.37%                                |                                                |                               |                                 |                                 |                                  |                        |                 |                                   |                                       |    |    |   |                                                      |                                                      |                                      |                                          |
| CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) A.2.      |                   | 1,364                            | 0.51%                                |                                                |                               |                                 |                                 |                                  |                        |                 |                                   |                                       |    |    |   |                                                      |                                                      |                                      |                                          |
| Total A.1. + A.2.                                                                                                     |                   | 1,364                            | 0.51%                                |                                                |                               |                                 |                                 |                                  |                        |                 |                                   |                                       |    |    |   |                                                      |                                                      |                                      |                                          |
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES                                                                                   |                   |                                  |                                      |                                                |                               |                                 |                                 |                                  |                        |                 |                                   |                                       |    |    |   |                                                      |                                                      |                                      |                                          |
| Turnover of Taxonomy-non-eligible activities B <sup>11</sup>                                                          |                   | 268,446                          |                                      |                                                |                               |                                 |                                 |                                  |                        |                 |                                   |                                       |    |    |   |                                                      |                                                      |                                      |                                          |
| Total A + B <sup>12</sup>                                                                                             |                   | 269,810                          |                                      |                                                |                               |                                 |                                 |                                  |                        |                 |                                   |                                       |    |    |   |                                                      |                                                      |                                      |                                          |

# Glossary

**EBITDA:**  
Earnings before interest, tax, depreciation and amortisation.

**Adjusted EBITDA:**  
Last 12 months EBITDA annualised for companies added to the consolidation scope during the reporting period. Includes 50% of the EBITDA of the Chinese JV, SAMAP, which, on the basis of the existing agreements with the other venturer, is accounted for using the equity method.

**EBIT:**  
Earnings before interest and tax.

**Net profit:**  
Recurring profit attributable to owners of the parent.

**Net financial debt:**  
Borrowings from banks and other financial institutions less cash and cash equivalents less other financial assets.

**Adjusted net financial debt:**  
Net financial debt including 50% of the net debt of the Chinese JV, SAMAP, which, on the basis of the existing agreements with the other venturer, is accounted for using the equity method.

**Fixed assets:**  
Property, plant and equipment and intangible assets, including goodwill, but excluding rights of use over leased assets (IFRS 16).

**Maintenance CAPEX:**  
CAPEX designed to update the facilities with a view to handling anticipated organic market growth.

**Cash flow from operations:**  
$$\frac{(\text{EBITDA} - \text{Interest expense paid} - \text{Tax paid} - \text{Maintenance CAPEX} - \text{IFRS 16 leases})}{(\text{EBITDA} - \text{Leases under IFRS 16})}$$

# Tracing compliance with Spain’s law on non-financial information and diversity reporting

| Contents of Law 11/2018 on non-financial and diversity reporting                                                                                                                                                                                                                                                           | GRI  | SECTION                                                                                        | PAGE                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------------------------------------------------------------------------------------------------|----------------------|
| Brief description of the undertaking’s business model, including disclosures related to:<br>1) their business environment;<br>2) their organisation and structure;<br>3) the markets where they operate;<br>4) their objectives and strategies;<br>5) the main trends and factors that may affect their future development | 2-1  | Contact details<br>Geographical balance                                                        | 209<br>19            |
|                                                                                                                                                                                                                                                                                                                            | 2-6  | We have a solid business model<br>Customers<br>Suppliers                                       | 1<br>5<br>205        |
|                                                                                                                                                                                                                                                                                                                            | 2-22 | Chairman and CEO’s statement                                                                   | 3                    |
|                                                                                                                                                                                                                                                                                                                            | 2-23 | Values and ethics framework<br>Commitment to the 2030 Agenda                                   | 170<br>197           |
|                                                                                                                                                                                                                                                                                                                            | 2-26 | Code of Professional Conduct                                                                   | 171                  |
|                                                                                                                                                                                                                                                                                                                            | 2-9  | Governance bodies                                                                              | 156                  |
|                                                                                                                                                                                                                                                                                                                            | 2-13 | ESG policy in action                                                                           | 199                  |
|                                                                                                                                                                                                                                                                                                                            | 2-11 | Board of Directors                                                                             | 158                  |
|                                                                                                                                                                                                                                                                                                                            | 2-12 | ESG policy in action                                                                           | 199                  |
|                                                                                                                                                                                                                                                                                                                            | 2-17 | Board of Directors                                                                             | 158                  |
|                                                                                                                                                                                                                                                                                                                            | 2-18 | Director performance evaluation                                                                | 166                  |
|                                                                                                                                                                                                                                                                                                                            | 2-14 | Methodology                                                                                    | 205                  |
|                                                                                                                                                                                                                                                                                                                            | 2-16 | Code of Professional Conduct                                                                   | 171                  |
|                                                                                                                                                                                                                                                                                                                            | 2-24 | Integration of ESG standards<br>ESG policy in action<br>Progress made on the ESG front in 2022 | 25<br>199-200<br>201 |
|                                                                                                                                                                                                                                                                                                                            | 2-25 | Risk management                                                                                | 176                  |
|                                                                                                                                                                                                                                                                                                                            | 2-29 | Stakeholder engagement                                                                         | 202                  |



| Contents of Law 11/2018 on non-financial and diversity reporting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | GRI                                    | SECTION                                                                                                                                                            | PAGE                                                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| <p>A description of the policies pursued by the undertaking in relation to those matters, including:</p> <p>1) The due diligence processes implemented in order to identify, evaluate, prevent and mitigate significant risks and adverse impacts.</p> <p>2) The monitoring and control processes, specifying which measures have been taken.</p>                                                                                                                                                                                                                                                                                                                             | 3-3                                    | <p>Shareholders</p> <p>Customers</p> <p>Employees</p> <p>Suppliers</p> <p>Society</p> <p>Environment</p> <p>Values and ethics framework</p> <p>Risk management</p> | <p>60</p> <p>70</p> <p>76</p> <p>100</p> <p>123</p> <p>130</p> <p>170</p> <p>176</p> |
| <p>The outcomes of those policies, including the pertinent non-financial key performance indicators that are most useful in:</p> <p>1) monitoring and assessing progress</p> <p>2) supporting comparability across companies and sectors, relying on broadly recognised national, EU-based or international frameworks for each issue</p>                                                                                                                                                                                                                                                                                                                                     | 3-3                                    | <p>Employees</p> <p>Suppliers</p> <p>Society</p> <p>Environment</p> <p>Values and ethics framework</p>                                                             | <p>76</p> <p>100</p> <p>123</p> <p>130</p> <p>170</p> <p>173</p>                     |
| <p>The principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas; and</p> <p>- How the undertaking manages those risks;</p> <p>- Explaining the processes used to identify and assess those risks, using broadly recognized national, EU-based or international frameworks for each issue.</p> <p>- Reporters must include information about any impacts identified, providing a breakdown of those impacts, in particular in relation to the principal short-, medium- and long-term risks.</p> | 3-3, 205-1, 413-1, 407-1, 408-1, 409-1 | ESG policy in action                                                                                                                                               | 199                                                                                  |

| Contents of Law 11/2018 on non-financial and diversity reporting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | GRI                                                            | SECTION                                                      | PAGE       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------|------------|
| <p>Non-financial key performance indicators relevant to the undertaking's particular business that are comparable, useful, relevant and consistent.</p> <ul style="list-style-type: none"><li>- In order to facilitate comparability of non-financial disclosures, over time and among undertakings, reporters should rely particularly on nonfinancial KPIs that that are generally applicable and meet the European Commission's guidelines in this respect and specifically the Global Reporting Initiative standard. Reporters should specify which national, EUbased or international reporting framework they rely on in each instance.</li><li>- Undertakings must provide relevant key performance indicators for each section of their non-financial statements.</li><li>- These indicators should be useful taking into account their specific circumstances. The KPIs should be consistent with metrics actually used by the group in its internal management and risk assessment processes.</li><li>- Regardless, the information provided should be accurate, comparable and verifiable.</li></ul> <p>Other information of use about how the document was prepared - Reporting practice.</p> | Each block of information has an associated GRI linked to KPIs | Materiality                                                  | 206        |
| ENVIRONMENTAL MATTERS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                |                                                              |            |
| ENVIRONMENT   OVERALL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                |                                                              |            |
| 1) Detailed information about the current and foreseeable impacts of the undertaking's activities on the environment and, as appropriate, on health and safety, and environmental assessment and certification processes.<br>2) The resources dedicated to preventing environmental risks.<br>3) Application of the principle of prevention, the amount of provisions and guarantees for environmental risks.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 3-3                                                            | Environmental policy and climate change action               | 131        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2-23                                                           | Values and ethics framework<br>Commitment to the 2030 Agenda | 170<br>197 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2-27                                                           | Environmental policy and climate change action               | 133        |



| Contents of Law 11/2018 on non-financial and diversity reporting                                                      | GRI        | SECTION                                                                                                 | PAGE              |
|-----------------------------------------------------------------------------------------------------------------------|------------|---------------------------------------------------------------------------------------------------------|-------------------|
| POLLUTION                                                                                                             |            |                                                                                                         |                   |
| 1) Measures to prevent, reduce or repair the carbon emissions that seriously impact the environment;                  | 3-3, 305-5 | Environmental policy and climate change action<br>Environmental footprint<br>Towards a circular economy | 131<br>135<br>137 |
| 2) Taking into consideration any form of air pollution specific to the business, including noise and light pollution. | 3-3        | Environmental policy and climate change action                                                          | 131               |
| CIRCULAR ECONOMY, PREVENTION AND WASTE MANAGEMENT                                                                     |            |                                                                                                         |                   |
| Circular economy                                                                                                      | 3-3        | Towards a circular economy                                                                              | 137               |
| Waste: Measures for the prevention, recycling, reuse and other forms of recovering and eliminating waste              | 3-3        | Waste management                                                                                        | 143               |
|                                                                                                                       | 306-2      | Towards a circular economy                                                                              | 137               |
|                                                                                                                       | 306-3      | Environmental management tables                                                                         | 216-218           |
|                                                                                                                       | 306-4      | Environmental management tables                                                                         | 216-218           |
|                                                                                                                       | 306-5      | Environmental management tables                                                                         | 216-218           |
| Initiatives undertaken to eliminate food waste                                                                        | 3-3        | Waste management                                                                                        | 143               |
| SUSTAINABLE USE OF RESOURCES                                                                                          |            |                                                                                                         |                   |
| Water consumption and supply, in keeping with local limitations                                                       | 303-3      | Water and material consumption<br>Environmental management tables                                       | 142<br>214        |
|                                                                                                                       | 303-4      | Water and material consumption<br>Environmental management tables                                       | 142<br>214        |
|                                                                                                                       | 303-5      | Water and material consumption<br>Environmental management tables                                       | 142<br>214        |

| Contents of Law 11/2018 on non-financial and diversity reporting                                                                                                        | GRI        | SECTION                                                                                                 | PAGE              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------------------------------------------------------------------------------------------------|-------------------|
| Consumption of raw materials and measures taken to use them more efficiently                                                                                            | 3-3        | Environmental policy and climate change action<br>Towards a circular economy                            | 131<br>137        |
|                                                                                                                                                                         | 301-1      | Water and material consumption<br>Environmental management tables                                       | 142<br>215        |
|                                                                                                                                                                         | 301-2      | Water and material consumption<br>Environmental management tables                                       | 142<br>214        |
| Direct and indirect energy consumption, measures taken to enhance energy efficiency and use renewable sources                                                           | 3-3        | Environmental policy and climate change action<br>Towards a circular economy                            | 131<br>137        |
|                                                                                                                                                                         | 302-1      | Energy efficiency<br>Environmental management tables                                                    | 219<br>222        |
|                                                                                                                                                                         | 302-3      | Environmental management tables                                                                         | 219<br>221        |
|                                                                                                                                                                         | 302-4      | Energy efficiency<br>Environmental management tables                                                    | 219<br>222        |
| CLIMATE CHANGE                                                                                                                                                          |            |                                                                                                         |                   |
| The important aspects of the greenhouse gas emissions generated as a result of the undertaking's activity, including through use of the goods and services it produces. | 3-3        | Environmental policy and climate change action<br>Environmental footprint<br>Towards a circular economy | 131<br>135<br>137 |
|                                                                                                                                                                         | 305-1      | Emissions<br>Environmental management tables                                                            | 139<br>220        |
|                                                                                                                                                                         | 305-2      | Emissions<br>Environmental management tables                                                            | 139<br>220        |
|                                                                                                                                                                         | 305-4      | Environmental management tables                                                                         | 223               |
| The measures adopted to adapt for the consequences of climate change                                                                                                    | 3-3        | Environmental policy and climate change action                                                          | 131               |
| Any medium- and long-term GHG emission-cutting targets voluntarily adhered to and the measures implemented to that end.                                                 | 3-3, 305-5 | Environmental policy and climate change action                                                          | 131               |
| EU Taxonomy Regulation                                                                                                                                                  | (N/A)      | Compliance with Regulation (EU) 2020/852 on climate taxonomy                                            | 134               |

| Contents of Law 11/2018 on non-financial and diversity reporting                                              | GRI        | SECTION                                       | PAGE      |
|---------------------------------------------------------------------------------------------------------------|------------|-----------------------------------------------|-----------|
| BIODIVERSITY PROTECTION                                                                                       |            |                                               |           |
| Measures taken to preserve or restore biodiversity                                                            | 3-3        | Biodiversity protection                       | 133       |
| Impacts caused by the undertaking's activities or operations on protected areas.                              | 3-3        | Biodiversity protection                       | 133       |
| SOCIAL AND EMPLOYEE MATTERS                                                                                   |            |                                               |           |
| EMPLOYMENT                                                                                                    |            |                                               |           |
| Total number and breakdown of employees by gender, age, country, job category and abilities.                  | 3-3        | Employees                                     | 76        |
|                                                                                                               | 2-7        | Employees                                     | 76        |
|                                                                                                               | 405-1      | Gender diversity Board of Directors           | 84<br>158 |
| Total number and breakdown by contract category.                                                              | 2-7        | Employees                                     | 76        |
| Average headcount during the year by permanent/temporary/part-time contracts by gender, age and job category. | 2-7        | Employees                                     | 76        |
| Number of dismissals by gender, age and job category.                                                         | 401-1      | Employment and diversity<br>Employment tables | 77<br>210 |
| Average earnings and trend broken down by gender, age, job category or equivalent metric.                     | 405-2      | Anti-corruption and bribery effort            | 84        |
| Wage gap, remuneration per equivalent job or company average.                                                 | 3-3, 405-2 | Gender diversity                              | 84        |



| Contents of Law 11/2018 on non-financial and diversity reporting                                                                                                                                   | GRI    | SECTION                        | PAGE      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------------------------|-----------|
| Average remuneration for directors and executives, including bonuses, attendance fees, termination benefits, long-term savings/pension benefits and any other compensation, broken down by gender. | 3-3    | Remuneration policies          | 169       |
|                                                                                                                                                                                                    | 2-19   | Remuneration policies          | 168       |
|                                                                                                                                                                                                    | 2-20   | Remuneration policies          | 168       |
| Implementation of policies regarding the right to disconnect from work.                                                                                                                            | 3-3    | Our employee value proposition | 90        |
| Employees with disabilities.                                                                                                                                                                       | 405-1  | Employment and diversity       | 77<br>158 |
| ORGANISATION OF WORKING HOURS                                                                                                                                                                      |        |                                |           |
| Organisation of working hours.                                                                                                                                                                     | 3-3    | Our employee value proposition | 90        |
| Absenteeism (in hours).                                                                                                                                                                            | 3-3    | Safe and healthy workplace     | 98        |
| Measures designed to facilitate work-life balance and sharing of caring responsibilities.                                                                                                          | 3-3    | Our employee value proposition | 90        |
| OCCUPATIONAL HEALTH AND SAFETY                                                                                                                                                                     |        |                                |           |
| Occupational health and safety.                                                                                                                                                                    | 3-3    | Safe and healthy workplace     | 97        |
|                                                                                                                                                                                                    | 403-5  | Safe and healthy workplace     | 99        |
| Workplace accidents, specifying frequency and severity and work-related illnesses, broken down by gender.                                                                                          | 403-9  | Safe and healthy workplace     | 98        |
|                                                                                                                                                                                                    | 403-10 | Safe and healthy workplace     | 97        |

| Contents of Law 11/2018 on non-financial and diversity reporting                                                                                                                         | GRI   | SECTION                                                   | PAGE      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-----------------------------------------------------------|-----------|
| MANAGEMENT-EMPLOYEE RELATIONS                                                                                                                                                            |       |                                                           |           |
| How management-employee dialogue is organised, including procedures for informing and consulting employees and negotiating with them.                                                    | 407-1 | Socially responsible Suppliers<br>Human rights protection | 87<br>175 |
| Percentage of employees covered by collective bargaining agreements by country.                                                                                                          | 2-30  | Our employee value proposition                            | 87,89     |
| Assessment of collective bargaining agreements, particularly with respect to workplace health and safety.                                                                                | 403-4 | Our employee value proposition                            | 87, 89    |
| Mechanisms and procedures that the company has in place to promote the involvement of workers in the management of the company, in terms of information, consultation and participation. | 3-3   | Our employee value proposition                            | 87        |
| TRAINING                                                                                                                                                                                 |       |                                                           |           |
| Training policies in place.                                                                                                                                                              | 3-3   | Training and mobility                                     | 91        |
| Total training hours by job category.                                                                                                                                                    | 404-1 | Training and mobility                                     | 91        |
| Accessibility for persons with disabilities.                                                                                                                                             | 3-3   | Training and mobility                                     | 77        |



| Contents of Law 11/2018 on non-financial and diversity reporting                                                                                                                                                                                | GRI   | SECTION                                                                                                                 | PAGE                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------------------------------------------------------------------------------------------------------------------------|--------------------------|
| EQUALITY                                                                                                                                                                                                                                        |       |                                                                                                                         |                          |
| Measures taken to foster equal treatment of and opportunities for men and women                                                                                                                                                                 | 3-3   | Gender diversity                                                                                                        | 85                       |
| Equality Plans (Chapter III of Organic Law 3/2007, of 22 March 2007, on effective gender equality), measures taken to foster employment, antisexual/gender harassment protocols, integration of and accessibility for persons with disabilities | 3-3   | Gender diversity                                                                                                        | 85                       |
| Non-discrimination policies and diversity management policies                                                                                                                                                                                   | 3-3   | Employment and diversity                                                                                                | 77                       |
| HUMAN RIGHTS                                                                                                                                                                                                                                    |       |                                                                                                                         |                          |
| Human rights due diligence procedures, processes and arrangements for preventing human rights abuses and any measures taken to mitigate, manage and repair possible abuses that have materialised.                                              | 3-3   | Human rights protection                                                                                                 | 175                      |
|                                                                                                                                                                                                                                                 | 2-23  | Values and ethics framework                                                                                             | 170                      |
|                                                                                                                                                                                                                                                 | 2-26  | Code of Professional Conduct                                                                                            | 171                      |
|                                                                                                                                                                                                                                                 | 2-27  | Relations with local authorities<br>Fines or sanctions<br>Anti-corruption and bribery effort<br>Human rights protection | 129<br>174<br>175<br>131 |
| Claims of human rights abuses.                                                                                                                                                                                                                  | 406-1 | Human rights protection                                                                                                 | 171                      |
| Promotion of and compliance with the provisions contained in the International Labour Organisation's fundamental conventions on the freedom of association and the right to collective bargaining.                                              | 407-1 | Socially responsible Suppliers<br>Human rights protection                                                               | 87<br>117                |
| Elimination of workplace discrimination.                                                                                                                                                                                                        | 3-3   | Employment and diversity                                                                                                | 77                       |
|                                                                                                                                                                                                                                                 | 406-1 | Human rights protection                                                                                                 | 175                      |

| Contents of Law 11/2018 on non-financial and diversity reporting | GRI   | SECTION                                                                                                                 | PAGE                     |
|------------------------------------------------------------------|-------|-------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Elimination of forced or compulsory labour                       | 409-1 | Socially responsible Suppliers                                                                                          | 87                       |
| Effective abolition of child labour                              | 408-1 | Socially responsible Suppliers                                                                                          | 87                       |
| CORRUPTION AND BRIBERY                                           |       |                                                                                                                         |                          |
| Measures taken to prevent corruption and bribery.                | 3-3   | Anti-corruption and bribery effort                                                                                      | 174                      |
|                                                                  | 2-23  | Values and ethics framework<br>Commitment to the 2030 Agenda                                                            | 170<br>197               |
|                                                                  | 2-26  | Code of Professional Conduct                                                                                            | 171                      |
|                                                                  | 205-2 | Anti-corruption and bribery effort                                                                                      | 174                      |
|                                                                  | 415-1 | Political contributions                                                                                                 | 129                      |
|                                                                  | 2-27  | Relations with local authorities<br>Fines or sanctions<br>Anti-corruption and bribery effort<br>Human rights protection | 129<br>174<br>175<br>131 |
|                                                                  | 205-3 | Anti-corruption and bribery effort                                                                                      | 174                      |
| Measures taken to combat money laundering.                       | 205-2 | Anti-corruption and bribery effort                                                                                      | 174                      |
| Contributions to non-profit entities.                            | 413-1 | Community work                                                                                                          | 126                      |

| Contents of Law 11/2018 on non-financial and diversity reporting                                 | GRI   | SECTION                                    | PAGE |
|--------------------------------------------------------------------------------------------------|-------|--------------------------------------------|------|
| SOCIETY                                                                                          |       |                                            |      |
| COMMITMENT TO SUSTAINABLE DEVELOPMENT                                                            |       |                                            |      |
| Impact of the undertaking's activities on society in terms of employment and local development.  | 3-3   | Society                                    | 123  |
|                                                                                                  | 201-1 | Value distributed to society               | 124  |
|                                                                                                  | 202-2 | Employment and diversity                   | 77   |
|                                                                                                  | 204-1 | Update of the GLOCAL management procedures | 106  |
|                                                                                                  | 413-1 | Community work                             | 126  |
| Impact of the undertaking's activities on society in terms of local communities and territories. | 201-1 | Value distributed to society               | 124  |
|                                                                                                  | 204-1 | Update of the GLOCAL management procedures | 106  |
|                                                                                                  | 413-1 | Community work                             | 126  |
| Engagement with local community representatives; communication channels in place.                | 2-29  | Stakeholder engagement                     | 202  |
|                                                                                                  | 204-1 | Update of the GLOCAL management procedures | 106  |
|                                                                                                  | 413-1 | Community work                             | 126  |
| Membership of associations and sponsorships                                                      | 2-28  | Institutional profile                      | 129  |



| Contents of Law 11/2018 on non-financial and diversity reporting                                                                                                                                                                                 | GRI   | SECTION                                                | PAGE |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--------------------------------------------------------|------|
| OUTSOURCING AND SUPPLIERS                                                                                                                                                                                                                        |       |                                                        |      |
| <ul style="list-style-type: none"><li>- Inclusion in the purchasing policy of social, gender equality and environmental matters.</li><li>- Contemplation of social and environmental records in supplier and subcontractor engagement.</li></ul> | 2-6   | We have a solid business model<br>Customers Suppliers  | 100  |
|                                                                                                                                                                                                                                                  | 3-3   | Socially responsible Suppliers                         | 87   |
|                                                                                                                                                                                                                                                  | 204-1 | Update of the GLOCAL management procedures             | 106  |
|                                                                                                                                                                                                                                                  | 308-1 | ESG risk matrix: ESG audits and supplier certification | 114  |
|                                                                                                                                                                                                                                                  | 414-1 | ESG risk matrix: ESG audits and supplier certification | 114  |
| Supervision and audit systems and their outcomes.                                                                                                                                                                                                | 3-3   | ESG risk matrix: ESG audits and supplier certification | 114  |
| CONSUMERS                                                                                                                                                                                                                                        |       |                                                        |      |
| Consumer health and safety measures.                                                                                                                                                                                                             | 3-3   | Customer satisfaction                                  | 75   |
| Consumer claims, complaints and remediation systems.                                                                                                                                                                                             | 3-3   | Quality                                                | 74   |
| TAX INFORMATION                                                                                                                                                                                                                                  |       |                                                        |      |
| Country-by-country profits.<br>Corporate income tax paid.                                                                                                                                                                                        | 3-3   | Value distributed to society                           | 124  |
|                                                                                                                                                                                                                                                  | 207-1 | Value distributed to society                           | 124  |
|                                                                                                                                                                                                                                                  | 207-2 | Value distributed to society                           | 124  |
|                                                                                                                                                                                                                                                  | 207-4 | Value distributed to society                           | 125  |
| Government grants received                                                                                                                                                                                                                       | 201-4 | Value distributed to society                           | 126  |

GRI content  
index

|                  |                                                                                                                                                                       |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Statement of use | CIE Automotive reported the information cited in this GRI content index for the period from January 1, 2022 to December 31, 2022 with reference to the GRI Standards. |
| GRI used         | GRI 1: Foundation 2021                                                                                                                                                |

| GRI STANDARD                                 | GRI | DISCLOSURE                                                       | SECTION                                                           | PAGE            |
|----------------------------------------------|-----|------------------------------------------------------------------|-------------------------------------------------------------------|-----------------|
| THE ORGANIZATION AND ITS REPORTING PRACTICES |     |                                                                  |                                                                   |                 |
| GRI 2: General Disclosures 2021              | 2-1 | Organizational details                                           | Contact details<br>Geographical balance                           | 209<br>19       |
|                                              | 2-2 | Entities included in the organization’s sustainability reporting | CIE Automotive around the world<br>Methodology<br>Annual Accounts | 1<br>5<br>205   |
| ACTIVITIES AND EMPLOYEES                     |     |                                                                  |                                                                   |                 |
| GRI 2: General Disclosures 2021              | 2-6 | Activities, value chain and other business relationships         | We have a solid business model<br>Customers<br>Suppliers          | 17<br>70<br>100 |
|                                              | 2-7 | Employees                                                        | Employees                                                         | 76              |

| GRI STANDARD                    | GRI  | DISCLOSURE                                                      | SECTION                         | PAGE |
|---------------------------------|------|-----------------------------------------------------------------|---------------------------------|------|
| GOVERNANCE                      |      |                                                                 |                                 |      |
| GRI 2: General Disclosures 2021 | 2-9  | Governance structure and composition                            | Governance bodies               | 156  |
|                                 | 2-11 | Chair of the highest governance body                            | Board of Directors              | 158  |
|                                 | 2-13 | Delegation of responsibility for managing impacts               | ESG policy in action            | 199  |
|                                 | 2-14 | Role of the highest governance body in sustainability reporting | Methodology                     | 205  |
|                                 | 2-16 | Communication of critical concerns                              | Code of Professional Conduct    | 171  |
|                                 | 2-17 | Collective knowledge of the highest governance body             | Board of Directors              | 158  |
|                                 | 2-18 | Evaluation of the performance of the highest governance body    | Director Performance Evaluation | 166  |
|                                 | 2-19 | Remuneration policies                                           | Remuneration policy             | 168  |
|                                 | 2-20 | Process to determine remuneration                               | Remuneration policy             | 168  |

| GRI STANDARD                     | GRI  | DISCLOSURE                                         | SECTION                                                                                                                 | PAGE                 |
|----------------------------------|------|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|----------------------|
| STRATEGY, POLICIES AND PRACTICES |      |                                                    |                                                                                                                         |                      |
| GRI 2: General Disclosures 2021  | 2-22 | Statement on sustainable development strategy      | Chairman and CEO’s statement                                                                                            | 3-6                  |
|                                  | 2-23 | Policy commitments                                 | Values and ethics framework<br>Commitment to the 2030 Agenda                                                            | 170<br>197           |
|                                  | 2-24 | Embedding policy commitments                       | Integration of ESG standards<br>ESG policy in action<br>Progress made on the ESG front in 2022                          | 25<br>199-200<br>201 |
|                                  | 2-25 | Processes to remediate negative impacts            | Risk management                                                                                                         | 176                  |
|                                  | 2-26 | Mechanisms for seeking advice and raising concerns | Code of Professional Conduct                                                                                            | 171                  |
|                                  | 2-27 | Compliance with laws and regulations               | Relations with local authorities<br>Fines or sanctions<br>Anti-corruption and bribery effort<br>Human rights protection | 129<br>174<br>175    |
|                                  | 2-28 | Membership associations                            | Institutional profile                                                                                                   | 129                  |
| STAKEHOLDER ENGAGEMENT           |      |                                                    |                                                                                                                         |                      |
| GRI 2: General Disclosures 2021  | 2-29 | Approach to stakeholder engagement                 | Stakeholder engagement                                                                                                  | 202                  |
|                                  | 2-30 | Collective bargaining agreements                   | Right to collective bargaining                                                                                          | 87, 89               |

| GRI STANDARD                        | GRI   | DISCLOSURE                                                               | SECTION                                    | PAGE |
|-------------------------------------|-------|--------------------------------------------------------------------------|--------------------------------------------|------|
| MATERIALITY                         |       |                                                                          |                                            |      |
| GRI 3: Material topics 2021         | 3-1   | Process to determine material topics                                     | Materiality                                | 206  |
| ECONOMIC DIMENSION                  |       |                                                                          |                                            |      |
| GRI 201: Economic Performance 2016  | 3-3   | Management of material topics                                            | Society                                    | 123  |
|                                     | 201-1 | Direct economic value generated and distributed                          | Value distributed to society               | 124  |
|                                     | 201-4 | Financial assistance received from government                            | Value distributed to society               | 126  |
| GRI 202: Market Presence 2016       | 3-3   | Management of material topics                                            | Employment and diversity                   | 77   |
|                                     | 202-2 | Proportion of senior management hired from the local community           | Employment and diversity                   | 77   |
| GRI 204: Procurement Practices 2016 | 3-3   | Management of material topics                                            | Suppliers                                  | 100  |
|                                     | 204-1 | Proportion of spending on local suppliers                                | Update of the GLOCAL management procedures | 106  |
| GRI 205: Anti-corruption 2016       | 3-3   | Management of material topics                                            | Anti-corruption and bribery effort         | 174  |
|                                     | 205-1 | Operations assessed for risks related to corruption                      | ESG policy in action                       | 199  |
|                                     | 205-2 | Communication and training about anti-corruption policies and procedures | Anti-corruption and bribery effort         | 174  |
|                                     | 205-3 | Confirmed incidents of corruption and actions taken                      | Anti-corruption and bribery effort         | 174  |

| GRI STANDARD                             | GRI   | DISCLOSURE                                   | SECTION                                                                      | PAGE       |
|------------------------------------------|-------|----------------------------------------------|------------------------------------------------------------------------------|------------|
| GRI 207: Tax 2019                        | 3-3   | Management of material topics                | Value distributed to society                                                 | 124        |
|                                          | 207-1 | Approach to tax                              | Value distributed to society                                                 | 124        |
|                                          | 207-2 | Tax governance, control, and risk management | Value distributed to society                                                 | 124        |
|                                          | 207-4 | Tax governance, control, and risk management | Value distributed to society                                                 | 125        |
| MATERIAL ISSUES: ENVIRONMENTAL DIMENSION |       |                                              |                                                                              |            |
| GRI 301: Materials 2016                  | 3-3   | Management of material topics                | Environmental policy and climate change action<br>Towards a circular economy | 131<br>137 |
|                                          | 301-1 | Materials used by weight or volume           | Water and material consumption<br>Environmental management tables            | 142<br>215 |
|                                          | 301-2 | Recycled input materials used                | Water and material consumption<br>Environmental management tables            | 142<br>214 |
| GRI 302: Energy 2016                     | 3-3   | Management of material topics                | Environmental policy and climate change action<br>Towards a circular economy | 131<br>137 |
|                                          | 302-1 | Energy consumption within the organization   | Energy efficiency<br>Environmental management tables                         | 219<br>222 |
|                                          | 302-3 | Energy intensity                             | Environmental management tables                                              | 222        |
|                                          | 302-4 | Reduction of energy consumption              | Energy efficiency<br>Environmental management tables                         | 219<br>222 |
| GRI 303. Water and Effluents 2018        | 3-3   | Management of material topics                | Towards a circular economy                                                   | 137        |
|                                          | 303-3 | Water withdrawal                             | Water and material consumption<br>Environmental management tables            | 142        |
|                                          | 303-4 | Water discharge                              | Environmental management tables                                              | 142        |
|                                          | 303-5 | Water consumption                            | Water and material consumption<br>Environmental management tables            | 142<br>214 |





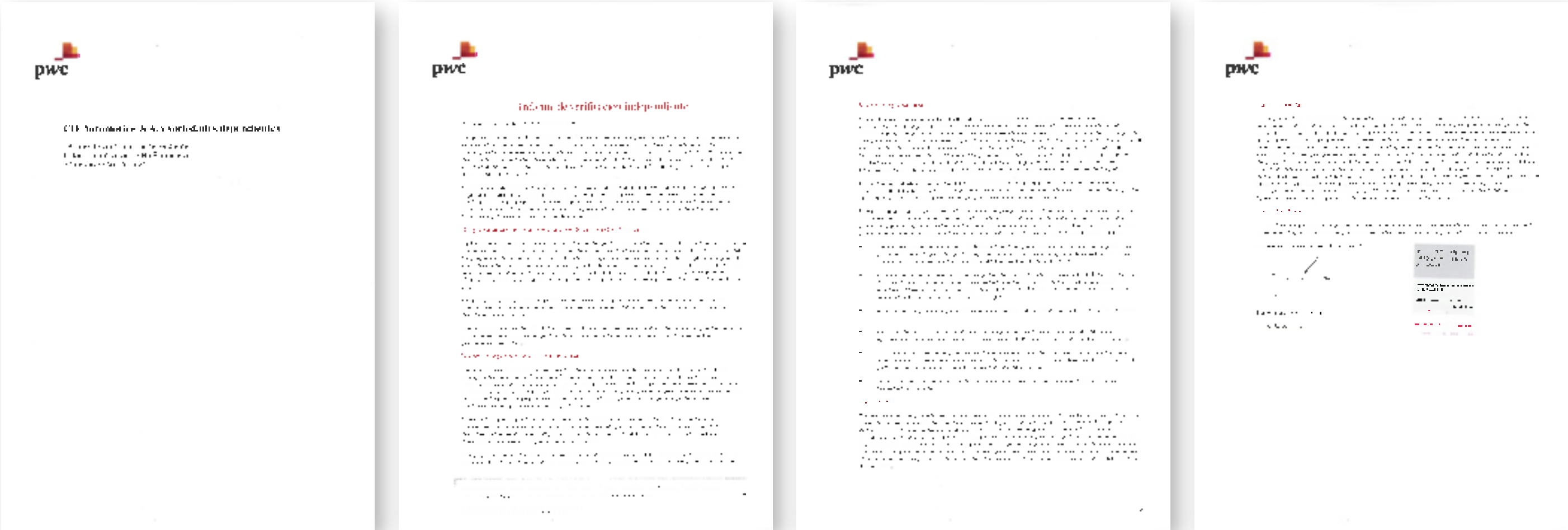
| GRI STANDARD                                    | GRI   | DISCLOSURE                                                    | SECTION                                                                                                 | PAGE               |
|-------------------------------------------------|-------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|--------------------|
| GRI 305: Emissions 2016                         | 3-3   | Management of material topics                                 | Environmental policy and climate change action<br>Environmental footprint<br>Towards a circular economy | 131<br>135<br>137  |
|                                                 | 305-1 | Direct (Scope 1) GHG emissions                                | Emissions<br>Environmental management tables                                                            | 220                |
|                                                 | 305-2 | Energy indirect (Scope 2) GHG emissions                       | Emissions<br>Environmental management tables                                                            | 220                |
|                                                 | 305-4 | GHG emissions intensity                                       | Environmental management tables                                                                         | 223                |
|                                                 | 305-5 | Reduction of GHG emissions                                    | Environmental policy and climate change action                                                          | 131                |
| GRI 306: Efluentes and waste 2016               | 3-3   | Management of material topics                                 | Waste management<br>Environmental management tables                                                     | 143-144<br>216-218 |
|                                                 | 306-2 | Management of significant waste-related impacts               | Towards a circular economy                                                                              | 216                |
|                                                 | 306-3 | Waste generated                                               | Waste management<br>Environmental management tables                                                     | 143-144<br>216-218 |
|                                                 | 306-4 | Waste diverted from disposal                                  | Waste management<br>Environmental management tables                                                     | 143-144<br>216-218 |
|                                                 | 306-5 | Waste directed to disposal                                    | Waste management<br>Environmental management tables                                                     | 143-144<br>216-218 |
| GRI 307: Environmental compliance 2016          | 3-3   | Management of material topics                                 | Environmental policy and climate change action                                                          | 131                |
|                                                 | 307-1 | Non-compliance with environmental laws and regulations        | Environmental policy and climate change action                                                          | 133                |
| GRI 308: Supplier environmental assessment 2016 | 3-3   | Management of material topics                                 | Supplier certification                                                                                  | 114                |
|                                                 | 308-1 | New suppliers that were screened using environmental criteria | Supplier certification                                                                                  | 114                |

| GRI STANDARD                                                            | GRI    | DISCLOSURE                                                                                                     | SECTION                                                   | PAGE      |
|-------------------------------------------------------------------------|--------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-----------|
| MATERIAL ISSUES. SOCIAL DIMENSION                                       |        |                                                                                                                |                                                           |           |
| GRI 401:<br>Employment 2016                                             | 3-3    | Management of material topics                                                                                  | Employment                                                | 76        |
|                                                                         | 401-1  | New employee hires and employee turnover                                                                       | Employment and diversity<br>Employment tables             | 77<br>212 |
| GRI 403: Health<br>and safety at work<br>2018                           | 3-3    | Management of material topics                                                                                  | Safe and healthy workplace                                | 97        |
|                                                                         | 403-5  | Worker training on occupational health and safety                                                              | Safe and healthy workplace                                | 99        |
|                                                                         | 403-10 | Work-related ill health                                                                                        | Safe and healthy workplace                                | 98        |
| GRI 404: Training<br>and education<br>2016                              | 3-3    | Management of material topics                                                                                  | Training and mobility                                     | 91        |
|                                                                         | 404-1  | Average hours of training per year per employee                                                                | Training and mobility                                     | 91        |
| GRI 405:<br>Diversity and<br>Equal Opportunity<br>2016                  | 3-3    | Management of material topics                                                                                  | Employment and diversity                                  | 77        |
|                                                                         | 405-1  | Diversity of governance bodies and employees                                                                   | Gender diversity<br>Board of Directors                    | 84<br>158 |
|                                                                         | 405-2  | Ratio of basic salary and remuneration of women to men                                                         | Gender diversity                                          | 85        |
| GRI 406: Non-<br>discrimination<br>2016                                 | 3-3    | Management of material topics                                                                                  | Human rights protection                                   | 175       |
|                                                                         | 406-1  | Incidents of discrimination and corrective actions taken                                                       | Code of Professional Conduct                              | 171       |
| GRI 407: Freedom<br>of association<br>and collective<br>bargaining 2016 | 3-3    | Management of material topics                                                                                  | Our employee value proposition<br>Human rights protection | 87<br>175 |
|                                                                         | 407-1  | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | Socially responsible Suppliers<br>Human rights protection | 87<br>117 |



| GRI STANDARD                             | GRI   | DISCLOSURE                                                                                              | SECTION                                                | PAGE |
|------------------------------------------|-------|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------|
| GRI 408: Child Labor 2016                | 3-3   | Management of material topics                                                                           | Human rights protection                                | 175  |
|                                          | 408-1 | Operations and suppliers at significant risk for incidents of child labor                               | Socially responsible Suppliers                         | 87   |
| GRI 409: Forced or compulsory labor 2016 | 3-3   | Management of material topics                                                                           | Human rights protection                                | 175  |
|                                          | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor                | Socially responsible Suppliers                         | 87   |
| GRI 412: Human Rights Assessment 2016    | 3-3   | Management of material topics                                                                           | Human rights protection                                | 175  |
| GRI 413: Local Communities 2016          | 3-3   | Management of material topics                                                                           | Society                                                | 123  |
|                                          | 413-1 | Operaciones con participación de la comunidad local, evaluaciones del impacto y programas de desarrollo | Community work                                         | 126  |
| GRI 414: Supplier Social Assessment 2016 | 3-3   | Management of material topics                                                                           | ESG risk matrix: ESG audits and supplier Certification | 114  |
| GRI 415: Public Policy 2016              | 3-3   | Management of material topics                                                                           | Institutional profile                                  | 129  |
|                                          | 415-1 | Political contributions                                                                                 | Relations with local authorities                       | 129  |
| GRI 419: Socioeconomic Compliance 2016   | 3-3   | Management of material topics                                                                           | Excellent corporate governance                         | 154  |
|                                          | 419-1 | Non-compliance with laws and regulations in social and economic areas                                   | Anti-corruption and bribery effort                     | 174  |

# Verificación externa



# Annual Report 2022

---

## CIE Automotive S.A.

Alameda Mazarredo 69, 8º  
48009 Bilbao (Bizkaia), España

Tel.: +34 946 054 835  
Fax: +34 946 054 837

**[www.cieautomotive.com](http://www.cieautomotive.com)**



## **CIE Automotive S.A and its subsidiaries**

Independent verification report  
Consolidated Non-Financial Information Statement  
31 December 2022





*This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

## Independent verification report

To the shareholders of CIE Automotive, S.A.:

Pursuant to article 49 of the Code of Commerce, we have verified, with the scope of a limited assurance engagement, the Consolidated Non-Financial Information Statement ("NFIS") for the year ended 31 December 2022 of CIE Automotive, S.A. (Parent company) and subsidiaries hereinafter CIE Automotive or the Group) which is included in the attached CIE Automotive 2022 Annual Report, which forms part of the CIE Automotive's Consolidated Management's Report.

The content of the Annual Report includes information additional to that required by current mercantile legislation in relation to non-financial information, which has not been covered by our verification work. In this respect, our work was limited solely to verifying the information identified in section "Tracing compliance with Spain's law on non-financial information and diversity reporting" included in the Annual Report attached.

### Responsibility of the directors of the Parent company

The preparation of the NFIS included in CIE Automotive's 2022 Annual Report and the content thereof, are the responsibility of the directors of CIE Automotive, S.A. The NFIS has been drawn up in accordance with the provisions of current mercantile legislation and following the criteria of the *Sustainability Reporting Standards* of the *Global Reporting Initiative* ("GRI Standards") selected as per the details provided for each matter in section "Tracing compliance with Spain's law on non-financial information and diversity reporting" of the Annual Report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the NFIS to be free of material misstatement due to fraud or error.

The directors of CIE Automotive, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

### Our independence and quality management

We have complied with the independence requirements and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code") which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies current international quality standards and maintains, consequently, a quality system that includes policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

---

*PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España*  
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, [www.pwc.es](http://www.pwc.es)



The engagement team consisted of professionals specialising in Non-financial Information reviews, specifically in information on economic, social and environmental performance.

### Our responsibility

Our responsibility is to express our conclusions in a limited assurance independent report based on the work we have performed. We carried out our work in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and in the Guidelines for verification engagements of the Statement of Non-Financial Information issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement and accordingly, the assurance provided is also lower.

Our work consisted of posing questions to management as well as to the various units of CIE Automotive that were involved in the preparation of the NFIS, of the review of the processes for compiling and validating the information presented in the NFIS, and in the application of certain analytical procedures and review procedures on a sample basis, as described below:

- Meetings with the CIE Automotive, S.A. personnel to understand the business model, policies and management approaches applied, principal risks relating to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content of the NFIS for the year 2022, based on the materiality analysis carried out by CIE Automotive and described in section "Materiality" of chapter "About this report", taking into account the content required by current mercantile legislation.
- Analysis of the procedures used to compile and validate the information presented in the NFIS for the year 2022.
- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the NFIS for the year 2022.
- Verification, by means of sample testing, of the information relating to the content of the NFIS for the year 2022 and that it was adequately compiled using data provided by the sources of the information.
- Obtaining a management representation letter from the directors and management of the Parent company.

### Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that the NFIS of CIE Automotive, S.A. and its subsidiaries, for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the provisions of current mercantile legislation and following the criteria of GRI selected as per the details provided for each matter in section "Tracing compliance with Spain's law on non-financial information and diversity reporting" of the Annual Report.



#### Emphasis of matter

The Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 relating to the establishment of a framework to facilitate sustainable investments establishes the obligation to disclose information on the manner and extent to which the company's activities are associated with economic activities aligned in relation to the objectives of climate change mitigation and adaptation to climate change for the first time for the year 2022, in addition to the information referring to eligible activities required in the year 2021. Consequently, comparative alignment information has not been included in the accompanying NFIS. On the other hand, to the extent that the information referring to eligible activities in the year 2021 was not required with the same level of detail as in the year 2022, detailed information regarding eligibility is not strictly comparable either in the accompanying NFIS. Additionally, it should be noted that CIE Automotive's directors have incorporated information on the criteria that, in their opinion, best allow compliance with the aforementioned obligations and that are defined in section "Compliance with Regulation (EU) 2020/852 on Climate Taxonomy" of chapter "Environment" of the accompanying NFIS. Our conclusion has not been modified in relation to this matter.

#### Use and distribution

This report has been drawn up in response to the requirement established in current Spanish mercantile legislation and therefore may not be suitable for other purposes and jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Pablo Bascones Ilundain

24 February 2023

